



Economic & Market Commentary

Economic data released last week showed the U.S. economy gaining momentum into the new year. The National Association of Home Builders released their January 2021 Home Market Index which came in at a level of 83. While down three points from prior month, this reading is still historically very strong. The report highlighted that housing demand remains very strong but rising lumber costs, limited inventory, and rising Covid-19 cases tempered the January reading. The U.S. Census Bureau released housing starts for December 2020 which came in much stronger than forecasted at an annual pace of 1.7 million units versus 1.5 million units expected. Compared to one year ago, December 2020 housing starts grew 10.1%. December existing home sales was the final housing report released last week and it came in stronger than expected as well. The National Association of Realtors reported existing home sales rose at an annual pace of 6.7 million units versus the expectation of 6.5 million units. The prolonged housing supply and demand imbalance strengthened again last month as the report highlighted housing inventory sank to 1.07 million units and only a 1.9-month home supply which are both record lows. This imbalance has propelled median existing home prices over the past year and the median price currently stands at \$309,800. Compared to one year ago, existing home prices have risen 12.9%. The last piece of good news came on the manufacturing front as the January IHS Markit preliminary reading showed activity is accelerating. We have previously noted the shelter-in-place mandates have led to supply chain disruptions and inventory depletion and that manufacturing activity was likely going to benefit from the inventory rebuild for a few quarters. Like housing, the combination of rising demand for manufacturing products and raw material supply constraints is driving input prices higher. The report noted, "the rate of input cost inflation was the fastest on record and that manufacturers registered the sharpest rise in selling prices since July 2008." With the oil and gas industry already under siege from the Biden administration as well, expect the rate of inflation to rise in the near term.

Total Returns - January 22, 2021

	1-Wk	YTD	1-Yr
Russell 2000	2.15	9.84	30.47
MSCI-Emerging	2.57	7.88	25.49
S&P 400	1.59	6.80	20.19
NASDAQ	4.19	5.10	45.60
MSCI-Developed	0.70	2.47	9.65
S&P 500	1.96	2.36	17.77
Dow Jones	0.63	1.37	8.67
Barclay's U.S. Bond Index			
High Yield	0.13	0.48	6.92
Municipal	0.23	0.25	4.22
5-year Muni	0.13	0.15	3.44
Int. Gov. Credit	0.05	-0.31	5.51
Aggregate	0.01	-0.75	5.75

Home Builder Optimism



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	0.10	0.11	1.55
U.S. 2-Yr	0.12	0.13	1.51
U.S. 3-Yr	0.18	0.20	1.52
U.S. 5-Yr	0.44	0.45	1.57
U.S. 10-Yr	1.09	1.10	1.77
U.S. 30-Yr	1.86	1.85	2.22

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	0.77	0.80	1.37
U.S. AA	0.86	0.90	1.43
U.S. A	1.25	1.31	1.74
U.S. Baa	1.84	1.91	2.24
U.S. Municipal	1.03	1.07	1.57
Michigan	1.11	1.17	1.69

S&P 500 - Sector Total Returns - January 22, 2021

Sector	1-Wk	YTD	1-Yr
Energy	-1.56	11.01	-23.01
Consumer Discretionary	3.10	5.05	37.67
Health Care	0.58	3.64	14.41
Financials	-1.81	2.98	0.93
Materials	-1.18	2.79	26.53
Info Tech	4.38	2.13	38.34
Communication Services	5.95	2.12	19.67
Real Estate	1.39	0.66	-3.97
Utilities	-0.21	0.19	-3.61
Industrials	-0.34	-0.11	8.92
Consumer Staples	-0.78	-3.67	4.60

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	22.68	15.91	1.47
S&P 400 - Mid Cap	20.07	15.77	1.33
S&P 600 - Small Cap	20.44	15.69	1.37