

# Monthly Market Commentary

## January 2021 Recap

U.S. equities fluctuated in January amid a confluence of political, economic and earnings updates. A perceived “risk on” mood set the stage for robust gains early in the month, with prospects for additional fiscal stimulus under a Democratic-led Congress, lingering vaccine optimism, and better-than-expected corporate earnings buoying sentiment. The tone shifted, however, as investors contended with volatility on a number of small-cap stocks favored by retail investors. Meanwhile, a mixed economic picture along with a slower-than-anticipated rollout of coronavirus vaccines left investors gauging the timing of when the inoculations would contribute to a meaningful economic rebound. The S&P 500 ended the month 1.1% lower, while the Dow Industrial Average fell 2.0%. The tech-heavy Nasdaq Composite bucked the downtrend, rising 1.4% as growth-oriented companies reversed a trend of underperforming value-oriented peers, which had prevailed for much of the post-election, pre-inauguration period.

Political updates garnered the bulk of attention during the front half of the month, with a pivotal Senate runoff election in Georgia resulting in the Democratic Party effectively gaining control of both chambers in Congress for the next two years. Fiscal stimulus was also in focus, with the Biden administration unveiling a highly-anticipated \$1.9 trillion stimulus package. However, the timeline of when a finalized deal would pass Congress remained uncertain as the size of the measure faced bipartisan scrutiny. Treasury yields jumped on prospects of additional federal spending, with 10-year note rate climbing above 1% for the first time since March. Elsewhere, investors appeared to react positively to President Biden’s nomination of former Fed Chair Janet Yellen for Treasury Secretary. During her confirmation hearing, she endorsed higher coronavirus relief spending, while also reassuring market participants that higher taxes were not a short-term priority for the incoming administration.

While new leadership in Washington tried to proceed with fiscal measures to combat the pandemic, lingering vaccine optimism seemed to overshadow the record number of coronavirus fatalities in January. Still, headwinds endured amid reports suggesting the vaccine rollout was moving considerably slower-than-expected and increasing worries that currently available inoculations may not be as effective against highly-contagious Covid-19 variants. Meanwhile, the monthly jobs report underscored how the rising tide of global infections and corresponding restrictions had weighed on the economic recovery. Nonfarm payrolls unexpectedly fell by 140,000 in December, missing expectations of a 50,000-job increase and representing the first monthly pullback since April. Another release showed retail sales dipped for a third consecutive month in December. While these reports provided cause for concern, other updates provided room for optimism. The Institute for Supply Management showed that both U.S. manufacturing and services activity expanded at a faster pace in the final month of the year, while the Conference Board showed that U.S. consumer confidence unexpectedly increased slightly in January. Amid the Covid-19 concerns and a mixed economic picture, the Federal Reserve reiterated its plans to leave the current accommodative policies in place for the foreseeable future at the conclusion of their January meeting.

Seven of 11 S&P 500 sectors ended in negative territory, with Consumer Staples and Industrials leading laggards. Energy, which was 2020’s worst performing sector, bucked the downtrend, as a surprise unilateral production cut from Saudi Arabia helped propel West Texas Intermediate crude above \$53 for the first time since March. Fourth-quarter corporate earnings results was another focal point, with the season getting off to a positive start. With 37% of the S&P 500 reporting results through month-end, 82% of the companies had topped consensus profit projections, while 76% bested revenue

expectations, according to FactSet. In Financials, shares of **Bank of America** (BAC \$29.65) and **Morgan Stanley** (MS \$67.05) shed 2% despite each bank topping Wall Street earnings projections. In Tech, **Apple** (AAPL \$131.96) edged lower despite the iPhone maker reporting its most profitable quarter ever. **Microsoft** (MSFT \$231.96) bucked the downtrend after seeing a 17% increase in sales amid strong cloud-computing performance. In the Communication Services sector, **Facebook** (FB \$258.33) topped Wall Street earnings and revenue estimates, but shares slid amid cautious commentary about mobile advertising. In industrials, **Delta Air Lines** (DAL \$37.96) management signaled optimism after reporting its first annual loss in 11 years, while **United Airlines** (UAL \$39.99) projected a larger-than-expected revenue decline in 2021. In the restaurant space, **Starbucks** (SBUX \$96.81) and **McDonald's** (MCD \$207.84) each fell amid disappointing same-store-sales figures.

## Disclaimers

Pricing as of market close on January 29, 2021 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

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## Definitions

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

## Price and Total Returns

### U.S. Markets

Index	Close Price Return (%)	January Price Return (%)	January Total Return (%)	December Total Return (%)	2020 YTD Total Return (%)*
S&P 500	3714.24	-1.11	-1.02	3.84	18.39
Dow Jones Industrial Average	29982.62	-2.04	-1.95	3.41	9.72
Nasdaq Composite	13070.69	1.42	1.44	5.75	45.06
S&P 400 Mid Cap	2340.12	1.45	1.50	6.51	13.65
S&P 600 Small Cap	1188.71	6.24	6.29	8.31	11.24

### U.S. Sector Performance

Index	Close Price Return (%)	January Price Return (%)	January Total Return (%)	December Total Return (%)	2020 YTD Total Return (%)*
Communications Services	218.57	-1.51	-1.30	3.08	23.61
Consumer Discretionary	1307.64	0.39	0.41	2.53	33.30
Consumer Staples	659.25	-5.32	-5.17	1.78	10.75
Energy	296.52	3.63	3.79	4.40	-33.68
Financials	480.98	-1.93	-1.75	6.25	-1.76
Health Care	1340.92	1.28	1.42	3.91	13.45
Industrials	717.01	-4.34	-4.30	1.19	11.05
Information Technology	2269.12	-0.97	-0.92	5.74	43.89
Materials	444.85	-2.38	-2.38	2.54	20.73
Real Estate	228.98	0.47	0.53	1.50	-2.17
Utilities	316.02	-0.96	-0.91	0.70	0.52

### International Markets

Index	Close Price Return (%)	January Price Return (%)	January Total Return (%)	December Total Return (%)	2020 YTD Total Return (%)*
U.K. FTSE 100	6407.46	-0.82	-0.79	3.28	-11.45
Germany DAX	13432.87	-2.08	-2.08	3.22	3.55
France CAC 40	5399.21	-2.74	-2.60	0.76	-4.96
Spain IBEX 35	7757.50	-3.92	-3.61	0.46	-12.71
Italy FTSE MIB	21572.53	-2.97	-2.61	0.79	-3.34
Greece ATHEX	749.46	-7.36	-7.36	9.97	-9.33
MSCI Emerging Market	1329.57	2.97	2.99	7.44	18.71
Shanghai Composite	3483.07	0.29	0.29	2.41	16.55
Japan Nikkei 225	27663.39	0.80	0.80	3.93	18.24
Hong Kong Hang Seng	28283.71	3.87	3.87	3.39	-0.23
Brazil Bovespa	115067.60	-3.32	-3.32	9.30	2.92
Russia Micex	3277.08	-0.36	-0.24	6.35	14.82
India Sensex	46285.77	-3.07	-3.05	8.18	17.16

## Treasuries

Maturity	January Ask Yield	December Historical Yields	November Historical Yields	October Historical Yields	September Historical Yields
2-Year	0.11	0.12	0.15	0.15	0.13
5-Year	0.42	0.36	0.36	0.38	0.28
10-Year	1.07	0.91	0.84	0.87	0.68
30-Year	1.83	1.64	1.57	1.66	1.46

## Municipal Bonds

Maturity	Close	January Price Return (%)	December Price Return (%)	November Price Return (%)	2020 YTD Price Return (%)*
S&P Municipal Bond Index	276.62	0.56	0.59	1.27	4.95
S&P Muni Bond Long Intermediate	289.45	0.53	0.59	1.26	5.40
S&P Muni Bond Intermediate	274.22	0.49	0.52	1.08	5.04
S&P Muni Bond Short	180.36	0.20	0.13	0.19	2.32
S&P Muni Bond Investment Grade	272.57	0.47	0.50	1.21	4.87
S&P Muni Bond High Yield	343.26	1.87	1.79	2.15	6.00
S&P Muni Bond General Obligation	266.14	0.40	0.42	1.10	5.26

## Commodities

Front Month Futures	Close	January Price Return (%)	December Price Return (%)	November Price Return (%)	2020 YTD Price Return (%)*
CRB Index	174.20	3.82	4.84	10.59	-9.68
Oil/bbl	52.20	7.58	7.01	26.68	-20.54
Natural Gas	2.56	0.98	-11.90	-14.07	15.99
Gold	1847.30	-2.52	6.72	-5.54	24.42
Silver	26.91	1.90	17.21	-4.70	47.38
Copper	355.60	1.05	2.88	12.24	25.81
Nickel	17658.50	6.59	3.59	5.72	18.60

## Foreign Exchange

Currency	Close	January Price Return (%)	December Price Return (%)	November Price Return (%)	2020 YTD Price Return (%)*
Dollar Index	90.58	0.72	-2.10	-2.31	-6.69
Euro/USD	1.21	-0.65	2.42	2.40	8.95
USD/Yen	104.68	1.39	-1.02	-0.33	-4.94
GBP/USD	1.37	0.28	2.60	2.90	3.12
USD/CAD	1.28	0.41	-2.12	-2.40	-2.04
USD/Krona	8.37	1.68	-4.04	-3.64	-12.15
USD/Swiss Franc	0.89	0.58	-2.61	-0.88	-8.42

Source: Bloomberg. Disclosure: \*All prices as of the close January 29, 2021

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