



WINTHROP
WEALTH

JANUARY 2021 RECAP

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The stock market experienced a slight pullback in January as the S&P 500 fell by -1.0%. The pullback occurred late in January as the S&P reached a new all-time high on 1/26 (3,871) before declining by -3.5% in the last three trading days of the month.

In our [2020 Market Review and Outlook](#) we pointed out several signs of froth in the market, including, the average first day-return for IPOs averaged 40% in 2020 (Bloomberg), a record number of special-purpose acquisition vehicles (SPACs) coming to market, a boom in cryptocurrency returns, individual stocks rapidly increasing after announcing stock-splits or index inclusion, and sentiment indicators reaching their highest levels in years. Given that, we stated a short-term pause or pullback would not surprise us and that we were moving into 2020 with a measured approach. The volatility that occurred at the end of the month is just a blip so far. We will continue to remain vigilant and will utilize any further volatility as an opportunity to reposition portfolios.

We also want to highlight that the activity in Gamestop (GME) provided the most glaring example of speculation and froth in years. Please see our latest [Client Question on Gamestop](#).

As we have done in the past, we will provide an update on the major factors driving the market:

Covid-19: Data on the coronavirus in terms of daily cases, hospitalizations, and vaccine distribution improved throughout the month. **New Cases:** According to The Covid Tracking Project, the 7-day average of new cases increased by about 145,000 per day, down from a peak of nearly 250,000 per day a few weeks ago. **Hospitalizations:** The number of people currently hospitalized ended the month at about 103,000, down from a peak of nearly 130,000. **Vaccine Distribution:** According to the CDC, over 50 million doses of the vaccine have been distributed while nearly 25 million people have received at least one dose. Vaccine distribution and doses continued to ramp up throughout the month and President Biden has publicly stated his goal of administering 100 million shots in his first 100 days in office. Thus far, the vaccines being administered are solely from Pfizer and Moderna. **Johnson and Johnson (JNJ) Vaccine:** On January 29th, JNJ announced that a phase III trial of over 44,000 people showed their vaccine prevented 66% of moderate cases, 85% of severe cases, and 100% of hospitalizations and death after 28 days. The Johnson & Johnson vaccine is a single dose and requires standard refrigeration. The United States has contracted to buy 100 million doses by June. Former FDA Commissioner Dr. Scott Gottlieb stated, "the J&J vaccine turns in a fantastic result. This one-shot vaccine was highly effective at preventing severe disease, even with new variants. Make no mistake: this is an important and wonderful development."

Monetary Policy: The January FOMC meeting was a non-event as the Fed did not make any changes to their current policy. During 2020, the Fed lowered rates to zero, shifted their framework to reflect average inflation targeting, restarted their quantitative easing program, and launched thirteen emergency lending facilities. Going forward, the Fed remains committed to using their full range of tools to support the economy for as long as is needed. Please see our [Client Question of the Month on The Federal Reserve](#), which details the importance of the Fed's policies and impact the FOMC has on the economy, interest rates, and stock prices.

Fiscal Policy: President Biden introduced his \$1.9 trillion Coronavirus Recovery Plan on January 14th. The plan includes \$1,400 in direct payments (bringing the recent total to \$2,000), increased federal unemployment benefits, raising the federal minimum wage to \$15 per hour, aid to state and local governments, and funding for vaccine distribution. Biden stated his preference is to pass the bill with bipartisan support and suggested the process would take a couple weeks. We expect the bill to undergo intense negotiations and several revisions before a vote. **Taxes:** Former Fed Chair Janet Yellen was overwhelmingly confirmed as Treasury Secretary. During her confirmation hearing, Yellen stated that the new administration's immediate focus will be on programs tied to the pandemic and not on tax increases. Please see our [Client Question on the Potential Impact of Democratic Control](#) which details what we know so far on possible tax changes.

Economic Data: The US economy grew by a +4.0% seasonally adjusted annual rate in the fourth quarter. On a year-over-year basis, real GDP decreased by -3.5% in 2020, the largest annual decline since 1946. The United States entered a recession in April, but it is also likely that the economy bottomed in April and has been slowly recovering since. The Fed currently projects that the economy will expand by +4.2% and +3.2% in 2021 and 2022 respectively. **Consumer Spending:** According to high frequency data, consumer spending reached 98.7% of the pre-virus level in January, up from an April bottom of 82% (Goldman Sachs). Consumer spending data is critical as it drives about 70% of GDP. **Labor Market:** The unemployment rate stayed flat at 6.7% in January. About 55% of the number of jobs that were lost during March and April have been regained. **Going Forward:** The magnitude of reopening, consumer activity, and recovery in the labor market will vary based the spread of the virus and progress on the vaccine. We expect that economic activity will ramp up in the spring and summer as more people are vaccinated.

MARKET RETURNS

| US Equity | | | | | | | | | |
|------------------------------|----------|---------|--------|---------|--------------------|---------|--------|---------|---------|
| Index | YTD 2021 | 2020 | 2019 | 2018 | 2017 | 3-Year | 5-Year | 10-Year | 20-Year |
| S&P 500 | -1.02% | 18.39% | 31.48% | -4.39% | 21.82% | 11.71% | 16.15% | 13.30% | 7.22% |
| Russell 3000 | -0.45% | 20.88% | 31.01% | -5.25% | 21.12% | 12.37% | 16.66% | 13.29% | 7.60% |
| Dow Jones Industrial Average | -1.95% | 9.72% | 25.34% | -3.48% | 28.11% | 7.07% | 15.48% | 12.27% | 7.78% |
| Nasdaq | 1.44% | 45.06% | 36.74% | -2.81% | 29.73% | 22.25% | 24.51% | 18.28% | 9.18% |
| S&P 400 | 1.50% | 13.65% | 26.17% | -11.10% | 16.23% | 7.88% | 14.00% | 11.26% | 9.25% |
| Russell 2000 | 5.03% | 19.93% | 25.49% | -11.03% | 14.63% | 10.97% | 16.53% | 11.52% | 8.71% |
| Russell 1000 Growth | -0.74% | 38.49% | 36.39% | -1.51% | 30.21% | 20.05% | 22.13% | 16.64% | 7.86% |
| Russell 1000 Value | -0.93% | 2.78% | 26.52% | -8.28% | 13.64% | 4.30% | 10.76% | 9.95% | 6.73% |
| International Equity | | | | | | | | | |
| MSCI Index | YTD 2021 | 2020 | 2019 | 2018 | 2017 | 3-Year | 5-Year | 10-Year | 20-Year |
| EAFE | -1.07% | 7.82% | 22.01% | -13.79% | 25.03% | 2.20% | 8.65% | 4.97% | 4.44% |
| Europe | -2.02% | 7.89% | 23.20% | -16.90% | 28.07% | 0.51% | 8.48% | 4.09% | 3.51% |
| Japan | -1.00% | 14.48% | 19.61% | -12.88% | 23.99% | 3.60% | 9.82% | 6.28% | 3.73% |
| China | 7.36% | 29.49% | 23.46% | -18.88% | 54.07% | 7.96% | 19.99% | 8.42% | 10.47% |
| Emerging Markets | 3.07% | 18.31% | 18.42% | -14.57% | 37.28% | 4.58% | 15.00% | 4.11% | 9.04% |
| ACWI ex US | 0.22% | 10.65% | 21.51% | -14.20% | 27.19% | 3.11% | 10.38% | 4.67% | 5.16% |
| US Fixed Income | | | | | | | | | |
| Bloomberg Barclays Index | YTD 2021 | 2020 | 2019 | 2018 | 2017 | 3-Year | 5-Year | 10-Year | 20-Year |
| Aggregate | -0.72% | 7.51% | 8.72% | 0.01% | 3.54% | 5.59% | 4.05% | 3.77% | 4.71% |
| Treasury Bills | 0.01% | 0.54% | 2.21% | 1.83% | 0.81% | 1.49% | 1.13% | 0.59% | 1.39% |
| Corporates | -1.28% | 9.89% | 14.54% | -2.51% | 6.42% | 7.05% | 6.46% | 5.50% | 5.88% |
| Securitized MBS/ABS/CMBS | 0.07% | 4.18% | 6.44% | 0.99% | 2.51% | 4.36% | 2.94% | 3.09% | |
| High Yield | 0.33% | 7.11% | 14.32% | -2.08% | 7.50% | 6.18% | 9.05% | 6.58% | 7.46% |
| Munis | 0.64% | 5.21% | 7.54% | 1.28% | 5.45% | 5.32% | 3.79% | 4.78% | 4.71% |
| US Equity Sectors | | | | | | | | | |
| Index | YTD 2021 | 2020 | 2019 | 2018 | 2017 | 3-Year | 5-Year | 10-Year | 20-Year |
| Technology | -0.92% | 43.89% | 50.29% | -0.29% | 38.83% | 25.69% | 28.76% | 19.84% | 8.34% |
| Real Estate | 0.53% | -2.17% | 29.00% | -2.23% | 10.85% | 8.81% | 7.79% | 7.54% | |
| Industrials | -4.30% | 11.05% | 29.32% | -13.32% | 21.01% | 4.26% | 12.76% | 10.80% | 6.98% |
| Energy | 3.79% | -33.68% | 11.81% | -18.10% | -1.01% | -15.63% | -3.54% | -3.18% | 3.81% |
| Consumer Discretionary | 0.41% | 33.30% | 27.94% | 0.82% | 22.98% | 16.87% | 18.73% | 17.65% | 9.67% |
| Communication Services | -1.30% | 23.61% | 32.69% | -12.53% | -1.25% | 11.18% | 9.88% | 10.10% | 3.94% |
| Consumer Staples | -5.17% | 10.75% | 27.61% | -8.39% | 13.49% | 6.68% | 7.79% | 11.29% | 8.37% |
| Utilities | -0.91% | 0.52% | 26.35% | 4.11% | 12.10% | 11.16% | 10.00% | 10.91% | 6.39% |
| Materials | -2.38% | 20.73% | 24.58% | -14.70% | 23.84% | 6.83% | 15.04% | 8.43% | 8.79% |
| Financials | -1.75% | -1.76% | 32.09% | -13.04% | 22.14% | 1.00% | 12.89% | 10.01% | 3.18% |
| Health Care | 1.42% | 13.45% | 20.82% | 6.47% | 22.08% | 11.51% | 13.71% | 15.77% | 8.04% |
| Calendar Year Returns | | | | | Annualized Returns | | | | |

DISCLOSURES:

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe*. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market. With 78 constituents, the index covers approximately 85% of the Indian equity universe.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.