



- ⇒ Markets Take a Breather This Week
- ⇒ Cyclical Trade Still Dominant
- ⇒ Labor Market/Consumer Confidence Faltering
- ⇒ Expect Turbulence With Next Week's Inauguration

⇒ Relentlessly optimistic investors continue to push markets higher.

- ⇒ Notwithstanding (1) storming of Capitol, second impeachment, (2) signs of a struggling economic recovery, and (3) Covid 19 still raging, investors are still asserting their confidence in a 2021 recovery.
- ⇒ The market's response to the concerns outlined above are as follows:

1. Despite the bluster and hard feelings, there will be a transition of power next Wednesday. Our institutions, and the public's trust in them, may be suffering, but investors still believe America is a safe bet.
2. The economic recovery is slow but with additional government spending and increasing vaccine distribution recovery is inevitable.
3. Covid appears to have peaked earlier this month and with multiple vaccines in use and coming up for authorization, its end is on the horizon.

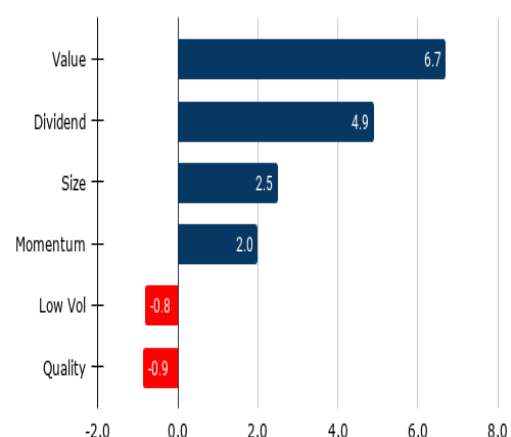
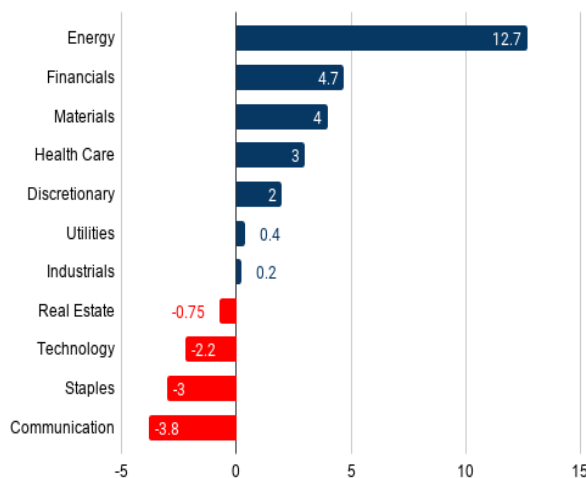
⇒ Broad large cap indexes (S&P & Nasdaq) set new all-time highs last week and eased up this week to log mild losses.

⇒ The Rotation stocks—those previously unloved by investors—have now logged another positive week of performance.

- ⇒ In the eleven weeks since the election, the Russell 2000 small cap index has seen only a single week of negative performance.
- ⇒ Its average weekly performance since then has been an incredible 3%.

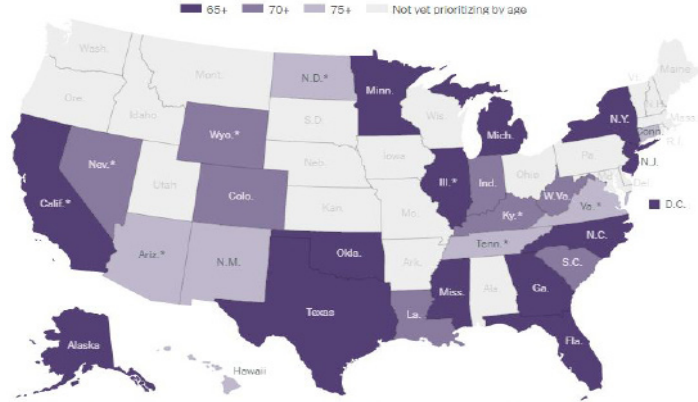
S&P 500 SECTOR & FACTOR PERFORMANCE 2021 YTD

- ⇒ Note rotation: tech and communications lagging
- ⇒ The worst performer, Communications Services, includes such companies as Facebook, Google, Netflix, and Disney.
- ⇒ Value and Dividend factors still in control since fourth quarter of last year.



Where Older Adults Are Eligible for Vaccines

More than half the states have begun vaccinations for older adults, in addition to health care workers and residents of long-term care facilities.



*Eligible only in some counties. Data is as of Jan. 14. - Sources: State and county health departments.

Vaccine Distribution

- ⇒ About 9.7 million Americans vaccinated so far (up from 5.9 million at this same point last week).
- ⇒ Johnson & Johnson's single-dose vaccine showed promising results...their phase 3 results to be published within next 2 weeks. They hope to have millions of doses prepared by end of February.
- ⇒ 28 states have started prioritizing vaccine based on age.

New reported cases by day



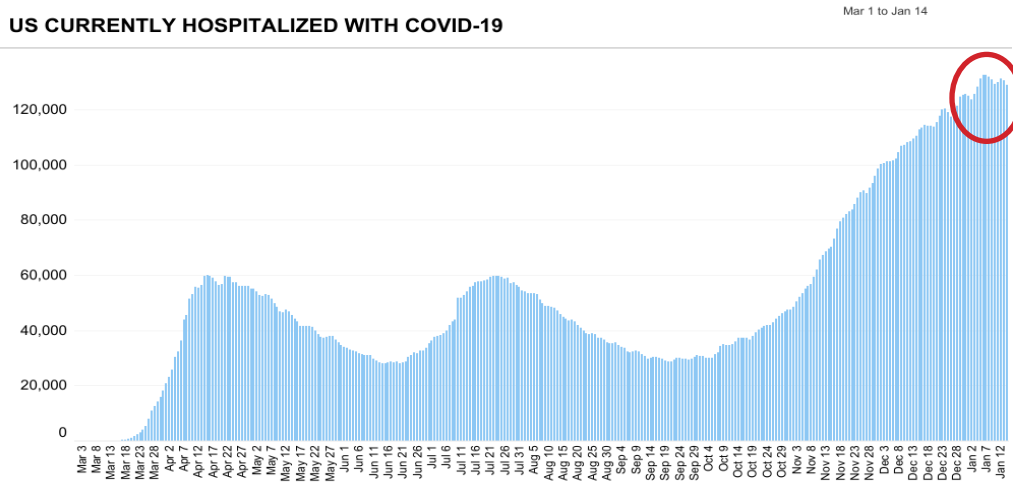
New reported deaths by day



⇒ Covid 19 appears to have peaked in the last few weeks.

⇒ Increasing vaccine distribution and a lack of holiday get-togethers in the weeks ahead may be able to head off the very contagious British Covid variant from introducing yet another wave. Will the more contagious British variant cause another wave or will vaccine distribution and lack of holiday get-togethers prevent

US CURRENTLY HOSPITALIZED WITH COVID-19

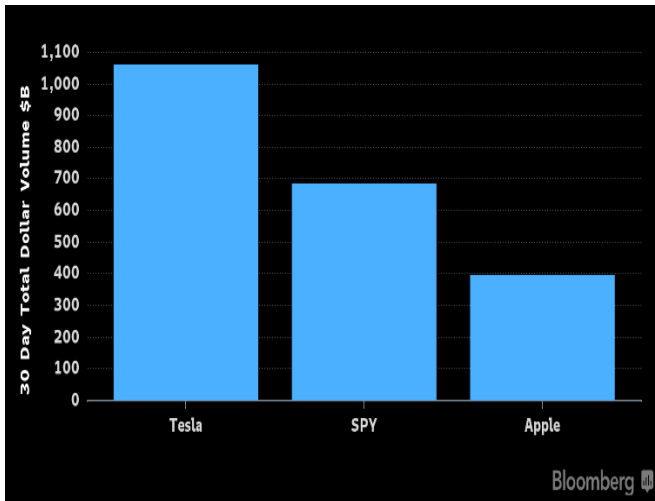


The COVID Tracking Project

Note: Florida began reporting this figure on July 10.

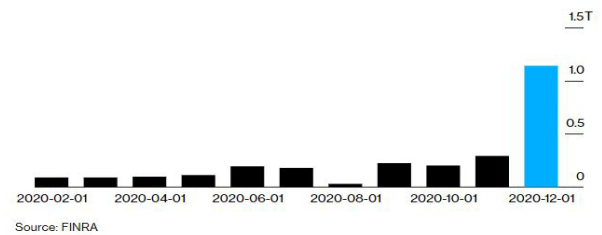
RETAIL TRADING FRENZY

- ⇒ A combination of folks working from home and having extra cash from the government has caused a retail trading frenzy.
- ⇒ Their favorite stocks—as you can see from the charts nearby—have been penny stocks, Tesla, and the ARK ETFs.
- ⇒ Tesla volume the past 30 days approached \$1.1 trillion!



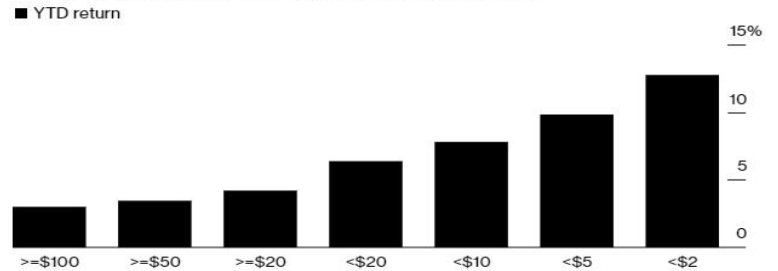
Reaching a Milestone

More than 1 trillion shares changed hands in over-the-counter trading in December.



The Lower, the Better

Stocks with lower price tags perform best in early 2021



*Note: Performance data as of 1/11/2021 close; Uses share prices as of 12/31/2020 for Russell 3000 stocks

- ⇒ Flows to ARK funds—Cathie Wood's company manages only 7 ETFs—have brought in \$4 billion so far **this year**.
- ⇒ That's about \$500 million a day.
- ⇒ Bloomberg notes comparisons to the Janus Twenty fund of the late 1990s.
- ⇒ Remarkably, at its peak, the Janus Twenty pulled in 70% of every dollar invested in mutual funds.

Name	1/2021
U.S. Issuer Total Flow (\$ Millions)	28,174.7
▶ Vanguard	10,719.3
▶ State Street	4,184.9
▶ ARK Investment	3,939.2
▶ iShares (Blackrock)	3,891.5
▶ Schwab	1,439.0
▶ Global X	1,088.9
▶ First Trust	1,012.4
▶ Invesco (PowerShares, Guggenheim, Op...	976.6
▶ Barclays & iPath	278.4
▶ PIMCO	248.5

WHAT WE'RE WATCHING

- ⇒ Expect turbulence next week as Joe Biden is inaugurated as President Wednesday at noon.
- ⇒ Markets closed Monday in observance of Martin Luther King Jr. Day.
- ⇒ Little in way of economic data released next week: we'll be watching Markit's manufacturing and services indexes.