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# January 2021: Market Review

The U.S. stock market started strong in 2021 but faded in the last week of the month and finished modestly lower. The S&P 500 Index fell -1.0% in January while the Dow Jones Industrial Average lost -2.0%. The NASDAQ Composite added +1.4% for the month as the technology-heavy index modestly outperformed. Retail investors dominated headlines during the last week of January as they poured into heavily shorted stocks, causing a spike in volatility and volume of trading. On the virus front, evidence that vaccines are being dispersed at a slower pace than initially anticipated gave investors a reason for concern.

In the United States, the unemployment rate remained unchanged at 6.7% as job growth appears to have hit a plateau for the time being. Fourth quarter real GDP growth showed a strong quarter over quarter increase of 4.0% yet was slower than anticipated as coronavirus infections surged causing more business restrictions during the last three months of the year. The Biden administration announced a $1.9 trillion stimulus plan that faces Congressional pushback. Among commodities, WTI crude oil ended the month at $52 a barrel, higher than last month's close of $49. Gold ended the month at $1,847, down from $1,893 at the end of December.

Within domestic equities, value stocks outpaced growth stocks slightly in mid and small capitalization sizes, while value modestly underperformed in large cap. The Russell 1000 Growth Index returned -0.7% in January while the Russell 1000 Value Index fell -0.9%. During the month, the Russell Midcap Value Index declined -0.2% and the Russell Midcap Growth Index decreased -0.3%. Small-cap equities outperformed both mid- and large-cap stocks in January as the Russell 2000 Value Index gained +5.3% while the Russell 2000 Growth Index returned +4.8%.

Major international indices posted declines in January as the news about the vaccines' distribution efforts negatively affected market sentiment. The MSCI EAFE Index fell -1.1% and the MSCI Europe Index was down -1.5% in January. Likewise, the MSCI Pacific Index slipped -0.5% during the month. The MSCI Emerging Markets Index was the sole international index in positive territory, adding +3.1% as returns were driven by strength in China (+7.4%), Taiwan (+6.5%), and South Africa (+2.7%).

U.S. fixed income market returns also were down for the month with longer term interest rates inching higher. The yield on the 10-year Treasury closed at 1.11%, up from last month's close of 0.93%. The Bloomberg Barclays U.S. Aggregate Bond Index was down -0.7% in January while the Bloomberg Barclays Treasury 20+ Year Index slid -3.8%. High yield bonds posted modest gains this month as the Bloomberg Barclays Corporate High Yield Bond Index was up +0.3%.

Global equities experienced a minor setback in January as increased volatility and some disheartening vaccine distribution news influenced investor sentiment. However, coronavirus cases and deaths have been trending lower, and some form of additional and significant fiscal stimulus from the government is likely. Also, reported corporate profits this quarter have been good and earnings expectations for this year and next have ticked higher in recent weeks.