

OBSERVATIONS

- Covid-19¹: As of 7-Feb, 128 million doses have been administered across 83 countries. The U.S. has administered 38.7 million doses and is averaging nearly 1.43 million doses per day.
 - Notable milestone: the number of vaccinations administered (128 million) around the globe now exceeds the total number of confirmed cases (106 million).
- The Institute for Supply Management's services index rose to 58.7, near a two-year high, as service industries expanded in January by the most since February 2019.²
- Eurozone economy contracted -0.7% in Q4 confirming a double dip recession scenario - full year 2020 economic contraction in Eurozone GDP was -6.8%.³
- High frequency data suggests that total job postings are now +10.2% higher than one year ago.⁴
- Amidst clearing house requirements, trading app Robinhood raises another \$2.4bn, bringing its recent total capital raising efforts to \$3.4bn. The trading app had more than 600,000 downloads on 29-Jan alone.⁵
- Borrowing costs for the riskiest companies nears all-time lows – average yield on CCC rated bonds reached 7.6% closing in on the all-time lows of 7.3% set in 2014.⁵
- Emerging markets debt issuance sets a new monthly record in January as governments and corporations issue over \$115bn.⁵
- Driven by small trades (i.e., retail traders), options volumes in January reached a monthly record of 843million contracts traded, 62% more than January 2020.⁵
 - 32 million call options traded on 27-Jan, a daily record.²
 - Meanwhile, 24 billion shares traded on 26-Jan on U.S. stock exchanges, also a daily record.²
- 17.8 million Americans continue to file claims for unemployment assistance in some form or another – the majority of which (10.8 million) are receiving assistance from federal pandemic related programs.⁶

EXPECTATIONS

- Both houses approved a budget resolution which will trigger a budget reconciliation procedure in which only a simple majority would be required to pass the \$1.9 trillion Biden package. While Democrats say that bi-partisan support is important, it is likely not required given the need for a simple majority of votes under the budget reconciliation process. Congress now has until 16-Feb to craft the stimulus legislation, setting the stage for a mid to late-Feb passage.²
- Nearly 60% of S&P 500 companies have reported earnings, 81% of which have beaten earnings per share estimates (above the 5-year average of 74%). 77 S&P 500 companies are set to release Q4 results this week.⁷

ONE MORE THOUGHT: A Glass Half Full or Half Empty

Last Friday's labor market report poured cold water on the notion that the US economy was firmly gaining steam. The report showed that the US economy created 49 thousand jobs in January, but also revised up the number of jobs lost in December 2020 to 227,000. The employment report also indicated that more people had dropped out of the labor force—essentially giving up looking to find a job—and that the number of people working part-time for

¹ Bloomberg Vaccine Tracker, Financial Times Vaccine Tracker, Johns Hopkins Coronavirus Center

² Bloomberg LP

³ https://ec.europa.eu/eurostat/documents/portlet_file_entry/2995521/2-02022021-AP-EN.pdf/0e84de9c-0462-6868-df3e-dbacaad9f49f

⁴ Opportunity Insights Economic Tracker, tracktherecovery.org, 2-Feb

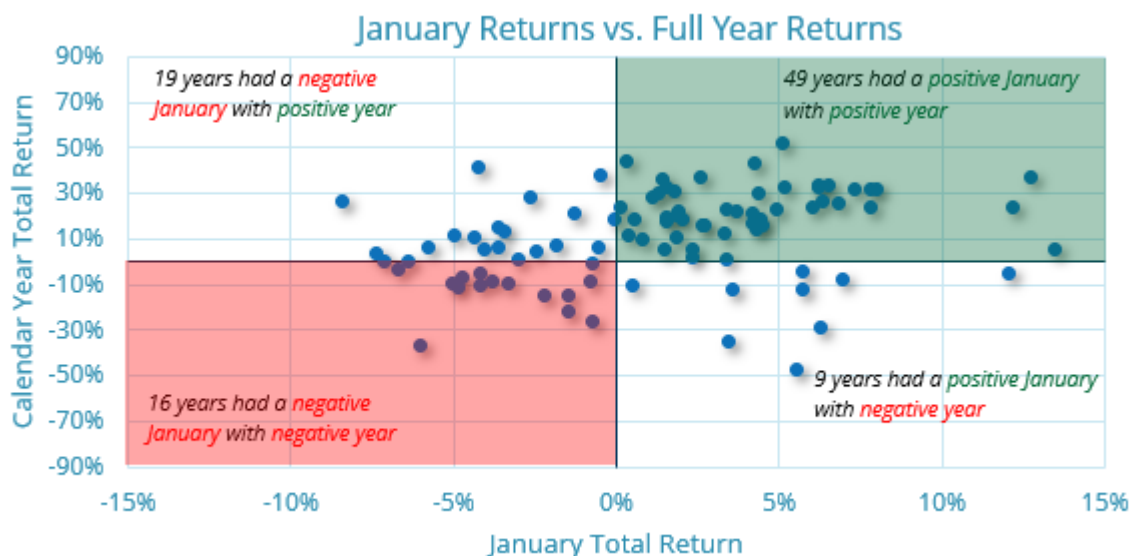
⁵ Financial Times

⁶ <https://www.dol.gov/ui/data.pdf>

⁷ Factset Earnings Insight, as of 5-Feb

economic reasons (i.e., they cannot find a full time/40-hour per week jobs) did not budge from over 6 million. Nonetheless, while the job market showed signs of continued economic weakness, other measures such as more forward-looking purchasing manager surveys and job posting data suggest the economy is poised to expand. Meanwhile, many real-time indicators such as credit spending figures and phone-based mobility data trends suggest that the economy has largely stagnated—neither further recovering nor re-contracting. These conflicting indicators make the U.S. recovery all the more reliant on the pace of Covid-19 vaccinations which will enable the eventual easing of both government-enacted economic restrictions as well as the caution of many individual U.S. consumers and businesses.

CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, S&P 500 Total Returns, monthly 1928-2020

An old wall street adage “as January goes, so goes the year” posits that calendar year returns tend to follow the trend set in January. With January’s S&P 500 return of -1.0%, where does that stand with regard to the old adage? Over the 93 years since 1928, January’s performance was directionally similar to the respective full year’s returns (i.e., a negative January leads to a negative year, or a positive January leads to a positive year) nearly 70% of the time. Looking further, we note that when January returns were negative, like for 2021, the odds of a positive or negative year have been nearly 50/50. Perhaps most importantly, setting aside January, the S&P 500 has been up 68 of the 93 (73%) calendar years – that is a bias that should not be forgotten.

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