Summary

Economic data for the week included mixed housing data, with prices up but sales down, and jobless claims declined.

Global equity markets rose in the final week of the year, as planned stimulus and hopes for a better 2021 appeared to win out over continued high infection counts around the world. Bonds gained ground, due to tightening corporate spreads in the U.S., and a weaker dollar helping foreign debt. Commodities rose, with gains in the agricultural sector.

Economic Notes

(+) The **S&P/Case-Shiller home price index** of 20 key U.S. cities rose 1.6% in October, including some upward revisions for prior months as well as seasonal adjustments. All but one of the cities in the index reported gains last month, led by New York, San Diego, and Phoenix, each up 1.7%. This pushed the year-over-year increase in home prices up by 1.3% to 7.9%, which is quite substantial, but surpassed by the broader national index, up 8.4%

(-) **Pending home sales** for November fell by -2.6%, which disappointed compared to expectations for no change. Sales fell in every region, led by the West, down nearly -5%, while the South was only down a percent. This may point to a downturn in existing home sales over the next several months. However, year-over-year, pending sales only decelerated to a pace of a still-strong 16%.

(0) **Initial jobless claims** for the Dec. 26 ending week fell by -19k to 787k, below the 835k estimate. **Continuing claims** for the Dec. 19 week fell by -103k to 5.219 mil., below the forecast 5.370 mil. Claims levels have improved, but remain high to end the year. The passage of the most recent stimulus package, including an extension of unemployment benefits, has been welcomed by many in sectors still operating far below pre-Covid levels. However, there has been improvement.

Market Notes

Period ending 12/31/2020	**1 Week (%)**	**YTD (%)**
DJIA	1.35	9.72
S&P 500	1.45	18.40
NASDAQ	0.66	44.92
Russell 2000	-1.41	19.96
MSCI-EAFE	1.43	7.82
MSCI-EM	3.01	15.84
BBgBarc U.S. Aggregate	0.22	7.51

U.S. Treasury Yields	**3 Mo.**	**2 Yr.**	**5 Yr.**	**10 Yr.**	**30 Yr.**
12/31/2019	1.55	1.58	1.69	1.92	2.39
12/25/2020	0.09	0.13	0.37	0.94	1.66
12/31/2020	0.09	0.13	0.36	0.93	1.65

In an expected light Holiday trading week, U.S. stocks began the week strongly, following investor relief over the long-awaited passage of the newest Covid support bill. Additionally, the Oxford/AstraZeneca Covid vaccine was approved for use in the U.K. (with U.S. approval expected). While this vaccine was surrounded by a few questions about its trial data, based on dosage amounts, these appear to have been cleared up. The benefits of this version include a far lower price and lessened need for extreme cold storage, as needed for the Pfizer and Moderna versions. The more vaccines that become approved, the wider the distribution net, which is assumed to speed the recovery from global lockdowns.

By sector, with the exception of energy, which fell slightly last week, every other sector ended positively. Returns were interestingly led by more defensive utility stocks, followed by communications, consumer discretionary, and financials, all of which gained nearly 2%. Real estate also rose in line with broader equities. Small cap stocks, however, bucked the trend by losing ground last week.

Foreign stock returns in Europe and the U.K. were mixed in local terms, with continued concerns over Covid lockdowns and a new virus variant, but were elevated to positive territory by a weaker dollar (mostly due to a stronger pound, likely related to post-Brexit relief). On the other hand, Japan and the emerging markets group rose sharply last week. Chinese stocks gained upon expectations of continued stronger growth, especially compared to the rest of the world, moving into 2021.

U.S. bonds were mixed last week, as investment-grade corporates outperformed treasuries, with high yield leading the way. Foreign bonds fared even better, despite low yields, as the U.S. dollar fell by nearly a half-percent for the week, helping developed market returns. Emerging markets also fared positively, albeit to a lesser degree.

Commodities rose overall last week, helped by the slightly weaker dollar. Agricultural prices, notably corn, but also wheat and soybeans, gained several percent, with Argentina (the world's third-largest producer) restricting corn exports, due to apparent internal food supply issues and food price inflation. Energy and precious metals ticked just slightly higher. This offset the decline of a few percent in industrial metals. The price of crude oil rose by just over a half-percent to end the year at $48.50/barrel.

Have a good week.

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Sources: FocusPoint Solutions, American Association for Individual Investors (AAII), Agriculture.com, Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends, with the exception of MSCI-EM, which is quoted as price return/excluding dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.