

January 2021

# Demarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 01/31/2021

## Global Overview

After experiencing strong equity returns for the year ending 2020, global equity markets experienced mixed risk asset performance for the month of January 2021. As the U.S. equity market digested increased market volatility and mixed economic news, the larger market capitalization indices endured a down month while the smaller capitalization indices continued their market appreciation. International equity markets witnessed a similar pattern of returns with the emerging market equity indices outperforming the international developed markets. The S&P 500 Index and DJ Industrial Average Index both declined -1.0% and -2.0%, respectively, for the month as compared to the Russell 2000 Index, which increased by +5.0%. The MSCI EAFE Index declined by -1.1% as compared to the MSCI Emerging Markets Equity Index, which returned 3.1% for the month.

## U.S. Markets & Economy

Although the broad U.S. equity market had muted volatility, the Cboe Volatility Index (VIX), a measure of stress in the U.S. Stock market, increased 62% in one day to 37.3 in late January, due to a few heavily shorted stocks like GameStop and AMC Entertainment. This was the largest daily percentage increase in the last two years. Other markets also experienced increased volatility such as silver futures. The market generally considers VIX values greater than 30 being linked to more volatile markets and VIX values below 20 generally corresponding to stable markets. The U.S. equity markets cooled off in January due to mixed economic news, the spread of the coronavirus mutations, and the challenging progress in vaccination efforts. U.S. manufacturing orders slowed in January with the ISM index of U.S. factory activity declining to 58.7 in January from 60.5 in December. ISM values above 50 indicate economic expansion, which is meaningful as manufacturing accounts for approximately 12% of the U.S. economy. The University of Michigan's consumer sentiment reading fell to 79.0 in January, below December's mark of 80.7, and extending the span of below average ratings that have been present since the onset of the pandemic in 2020. Pharmaceutical stocks also witnessed the increased volatility as a couple of the COVID-19 vaccine's effectiveness ratings were adjusted downward.

The U.S. fixed income market was not immune to the month's mixed economic news and was further impacted by the shift of the Senate to the Democrats after the Georgia runoff election in January. This news led to the U.S. Treasury curve steepening as the prospect for further economic stimulus pushed longer-term rates higher (causing longer dated U.S. Treasury prices to decline). In addition, the Federal Reserve left the Fed funds rate unchanged during the month and stated they have no plans to taper their asset purchases any time soon, which should provide economic support. As a result of the steepening yield curve, risk assets (such as equities and high yield bonds) outperformed U.S. Treasuries and the broader fixed income market. The Bloomberg Barclays U.S. Aggregate Index returned -0.7% in January as compared to the Bloomberg Barclays U.S. High Yield Index returning 0.4% and the J.P. Morgan Emerging Markets Bond Index, which returned -1.1% in January.

## International Markets & Economy

Developed Non-U.S. equity markets cooled off to start 2021 as European equities declined after the IMF cut this year's GDP forecast for the Eurozone by a full percentage point. Vaccine distribution delays and weaker economic data also contributed to European equities declining in the month of January. The European Central Bank has extended its

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pandemic stimulus program until March of 2022, but with rates at a historic low of -0.5% there is not much left in terms of support they can provide. Markit's flash composite PMI for the euro zone, which looks at activity across both manufacturing and services, dropped to 47.5 in January, versus 49.1 in December. This is the second straight month that economic activity has contracted across the Eurozone. Japan, which has been plagued by low growth prior to the pandemic, is still projected to lag behind the global economy throughout the recovery.

Emerging markets started 2021 in a similar fashion as 2020 with a 3.1% return in the month of January. Fourth quarter GDP came out strong for China as they surpassed pre-COVID levels of growth. The IMF has projected an 8% GDP growth rate for 2021 for China, which if achieved, would be the fastest growth rate since 2011. EM ex-China struggled through January as Latin America, India and Russia all posted negative returns for the month.

## In the News

Technology billionaire Bill Gates has added farmland to his portfolio of expertise. According to Forbes, Mr. Gates has become one of the largest individual farmland owners in America with over 242,000 acres spanning 18 states. The Land Report's research shows Mr. Gates holding farmland directly in addition through his personal investment vehicle, Cascade Investments. Although Mr. Gates' plans for the farmland is currently unknown, it is expected that its use will align with the values outlined in one of his foundations, Cottonwood Ag Management (CAM). CAM is a non-profit organization that promotes sustainable agriculture to ensure in the protection of crops, soil and water resources. Stewart and Lynda Resnick, the cofounders of The Wonderful Company, are additional wealthy individual farmland owners, but their land is used to produce goods for their POM Wonderful products.

## Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates per US \$		Inflation <sup>2</sup>
	Latest	2020 <sup>1</sup>	2021 <sup>1</sup>	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
<b>United States</b>	4.00	-3.70	3.19	6.70	1.08	-	-	1.62
<b>China</b>	10.80	1.78	8.04	5.20	3.21	6.43	6.92	-0.45
<b>Japan</b>	22.90	-5.29	2.32	2.90	0.06	104.39	108.95	-0.98
<b>United Kingdom</b>	81.10	-11.25	4.20	5.00	0.32	1.34	1.29	0.55
<b>Euro Area</b>	-2.80	-7.53	3.61	8.30	-0.09	1.19	1.10	0.25
<b>Germany</b>	0.40	-5.53	2.80	4.50	-0.55	1.19	1.10	-0.28
<b>France</b>	-5.30	-9.11	6.03	8.80	-0.25	1.19	1.10	-0.04
<b>Italy</b>	-7.70	-9.05	4.29	8.90	0.64	1.19	1.10	-0.19
<b>Canada</b>	40.50	-5.39	3.47	8.80	0.89	1.30	1.33	1.05
<b>India</b>	125.00	-9.86	7.90	9.10	5.95	73.56	71.01	5.28
<b>Mexico</b>	13.00	-9.19	3.56	4.40	5.27	20.02	19.46	3.15
<b>Brazil</b>	34.60	-6.02	2.62	14.30	7.58	5.32	4.22	4.31

Sources: (Most recently available data) Standard and Poor's, FTSEIRussell, Morgan Stanley Capital International (MSCI), Bloomberg, Citigroup, St. Louis Federal Reserve, The Conference Board, The Wall Street Journal, OECD, The World Bank, Bureau of Economic Analysis, Trading Economics, and *The Economist*

1. Euro Area data forecasted by The World Bank, all other forecasted data from OECD

2. In terms of CPI All Items

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## Capital Markets Overview:

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	(0.99)	16.40	(0.99)	15.45	8.30	13.36	9.51
	BBgBarc US Agg Bond TR USD	(0.72)	0.40	(0.72)	4.72	5.49	4.00	3.75
	Russell 3000 TR USD	(0.44)	16.69	(0.44)	20.48	12.38	16.68	13.50
	DJ Industrial Average TR USD	(1.95)	13.70	(1.95)	8.54	7.12	15.47	12.43
	NASDAQ Composite PR USD	1.42	19.79	1.42	42.83	20.82	23.15	17.08
	MSCI EAFE NR USD	(1.07)	19.58	(1.07)	8.94	2.23	8.84	5.15
	FTSE Treasury Bill 3 Mon USD	0.01	0.02	0.01	0.45	1.53	1.16	0.60
	Bloomberg Commodity TR USD	2.63	11.51	2.63	7.31	(2.33)	1.90	(6.35)
Domestic Equities	S&P 500 TR USD	(1.01)	14.05	(1.01)	17.25	11.70	16.16	13.50
	S&P MidCap 400 TR	1.50	23.56	1.50	18.46	7.96	14.01	11.46
	S&P SmallCap 600 TR USD	6.29	36.06	6.29	23.18	9.04	15.21	12.59
	Russell 1000 TR USD	(0.82)	15.54	(0.82)	19.84	12.48	16.69	13.64
	Russell 1000 Growth TR USD	(0.74)	14.46	(0.74)	34.46	19.92	22.22	16.83
	Russell 1000 Value TR USD	(0.92)	16.72	(0.92)	4.09	4.41	10.71	10.15
	Russell Mid Cap TR USD	(0.26)	18.84	(0.26)	17.73	10.14	14.88	12.15
	Russell Mid Cap Growth TR USD	(0.33)	18.48	(0.33)	33.88	18.17	20.46	14.78
	Russell Mid Cap Value TR USD	(0.23)	19.05	(0.23)	6.80	4.49	10.94	10.22
	Russell 2000 TR USD	5.03	35.15	5.03	30.17	11.11	16.50	11.78
	Russell 2000 Growth TR USD	4.82	34.83	4.82	42.69	16.54	20.19	14.08
	Russell 2000 Value TR USD	5.26	35.53	5.26	16.42	5.08	12.34	9.21
International Equities	MSCI ACWI Ex USA NR USD	0.22	19.84	0.22	13.95	3.08	10.52	4.84
	MSCI EAFE NR USD	(1.07)	19.58	(1.07)	8.94	2.23	8.84	5.15
	MSCI EAFE Growth NR USD	(1.36)	16.16	(1.36)	17.36	7.53	11.66	7.33
	MSCI EAFE Value NR USD	(0.78)	23.24	(0.78)	0.24	(3.21)	5.82	2.84
	MSCI Japan NR USD	(1.00)	15.96	(1.00)	14.90	4.14	10.31	6.38
	MSCI AC Asia Ex Japan NR USD	4.08	20.09	4.08	36.18	6.97	16.33	7.03
	MSCI Europe NR USD	(1.45)	20.75	(1.45)	6.53	1.26	7.93	4.76
	MSCI United Kingdom NR USD	(0.24)	22.87	(0.24)	(7.16)	(3.42)	3.83	2.80
	MSCI EAFE Small Cap NR USD	(0.37)	21.05	(0.37)	15.27	3.00	11.12	7.72
MSCI EM NR USD	3.07	20.88	3.07	27.90	4.42	15.03	4.23	
Fixed Income	BBgBarc US Govt/Credit TR USD	(1.04)	0.37	(1.04)	5.28	6.01	4.47	4.07
	BBgBarc US Govt/Credit Interm TR USD	(0.28)	0.42	(0.28)	4.65	4.88	3.33	3.04
	BBgBarc US Govt/Credit Long TR USD	(2.97)	0.24	(2.97)	7.07	9.45	8.24	7.99
	ICE BofA US High Yield TR USD	0.38	6.39	0.38	6.57	5.79	8.86	6.44
	Credit Suisse HY USD	0.52	6.28	0.52	5.94	5.47	8.72	6.31
	S&P/LSTA Leveraged Loan TR	1.19	4.83	1.19	3.77	4.09	5.62	4.24
	FTSE WGBI NonUS USD	2.02	18.99	2.02	25.70	5.98	13.61	6.68
	BBgBarc Gbl Agg Ex USD TR	2.02	18.99	2.02	25.70	5.98	13.61	6.68
REITs	FTSE Nareit All REITs TR	(0.16)	12.57	(0.16)	(7.31)	6.06	7.39	8.69
	Wilshire US REIT TR USD	0.53	14.01	0.53	(8.11)	4.84	5.21	7.95

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

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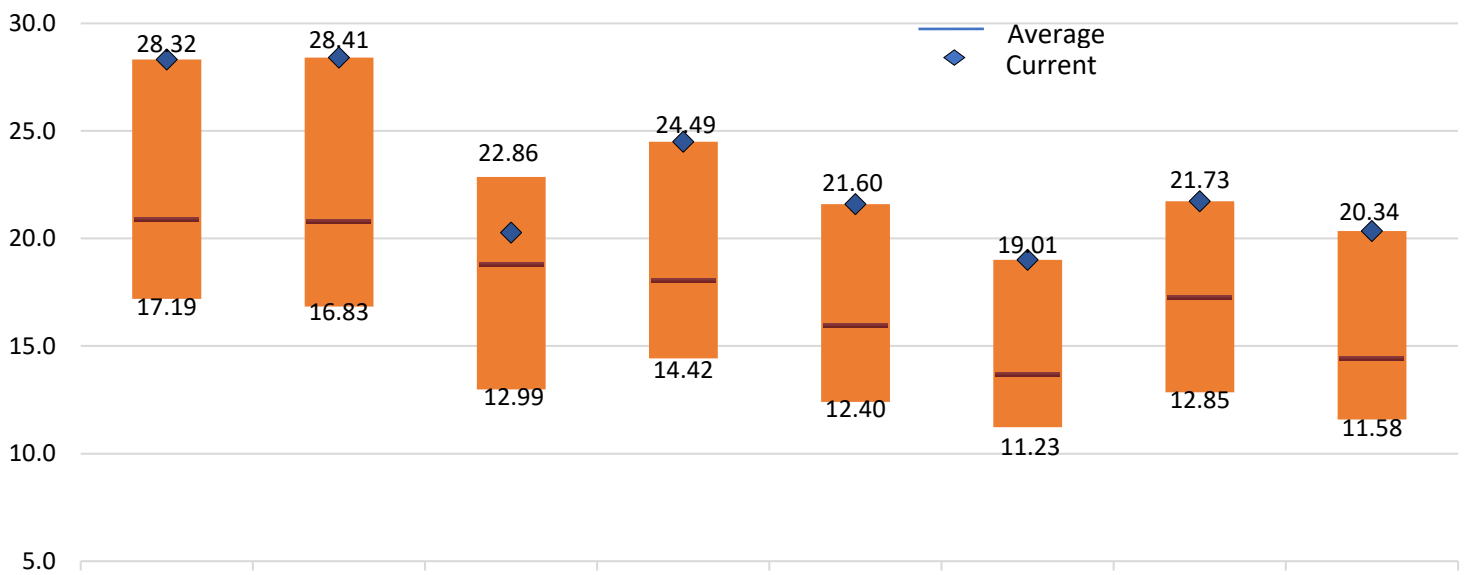
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## S&P 500 Price Level



Source: Standard & Poors

## Current P/E vs. Trailing 5-Year High, Low, Average



	S&P 500	Russell 1000	Russell 2000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Month	Dec-20	Dec-20	Nov-17	Dec-20	Dec-20	Jan-21	Dec-20	Jan-21
Low Month	Dec-18	Dec-18	Mar-20	Dec-18	Dec-18	Dec-18	Dec-18	Dec-18

Source: Standard & Poors, FTSE/Russell, MSCI

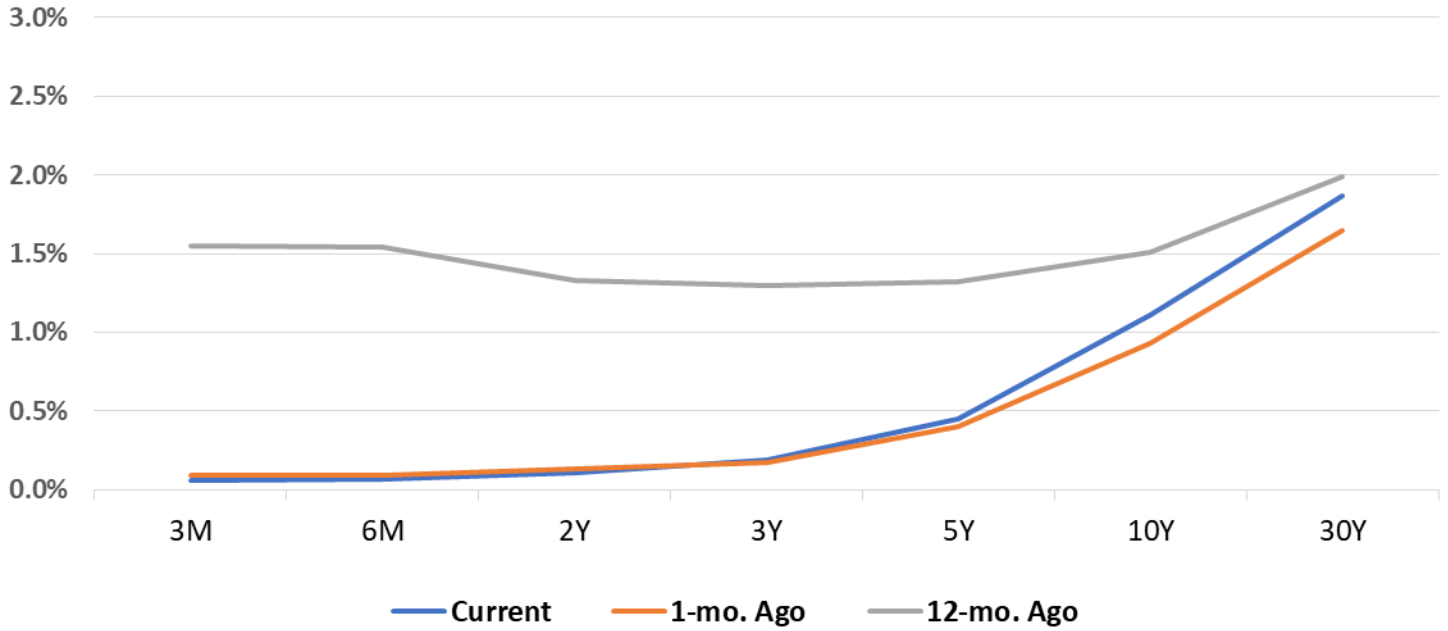
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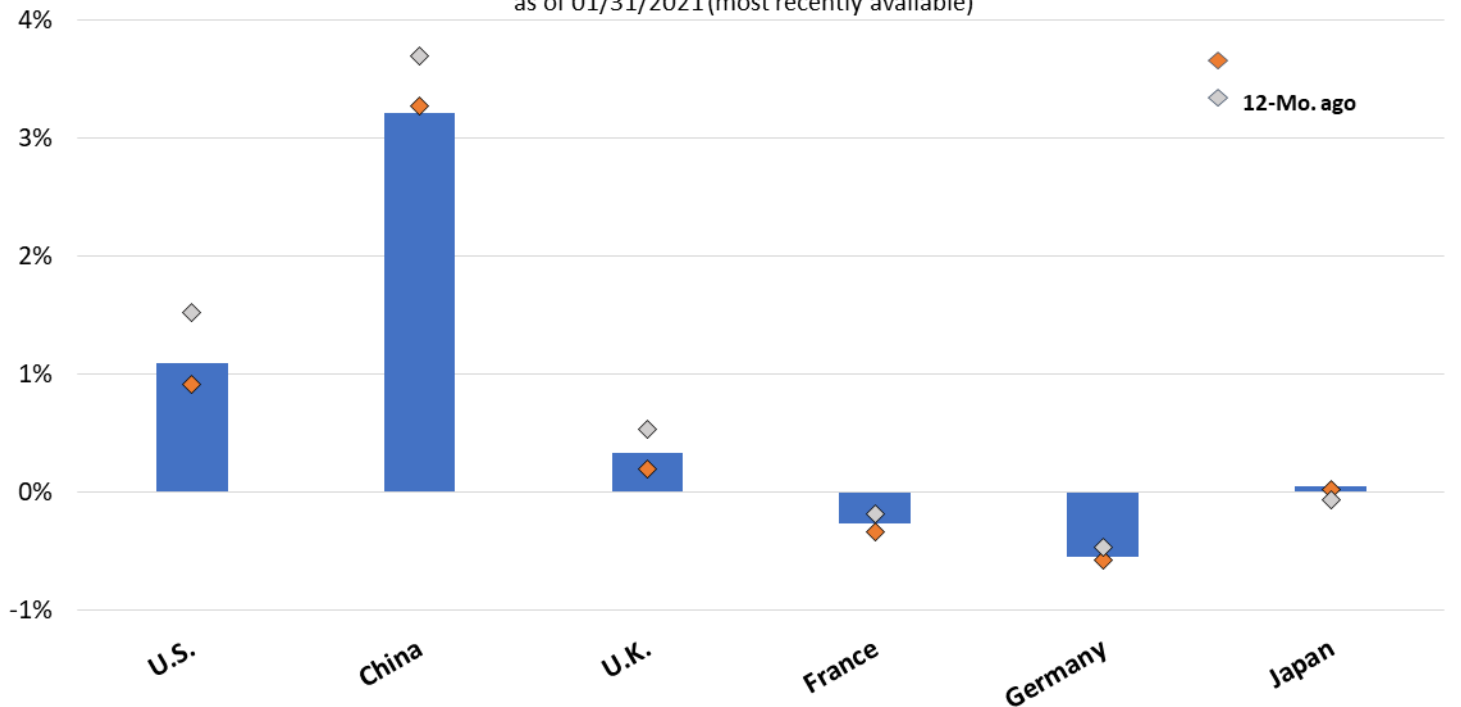
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## U.S. Treasury Yield Curves as of 01/31/2021



Source: Federal Reserve Bank of St. Louis, U.S. Department of the Treasury

## 10-Year Sovereign Yields as of 01/31/2021 (most recently available)



Source: Federal Reserve Bank of St. Louis, Wall Street Journal, Trading Economics

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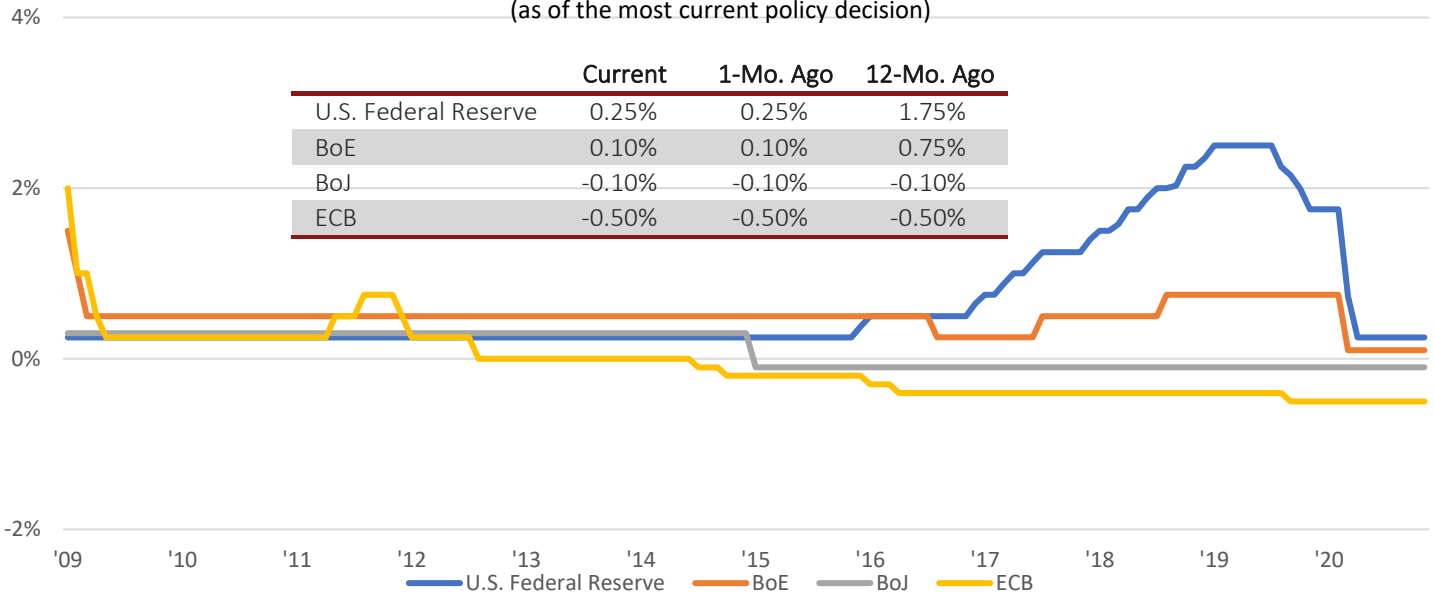
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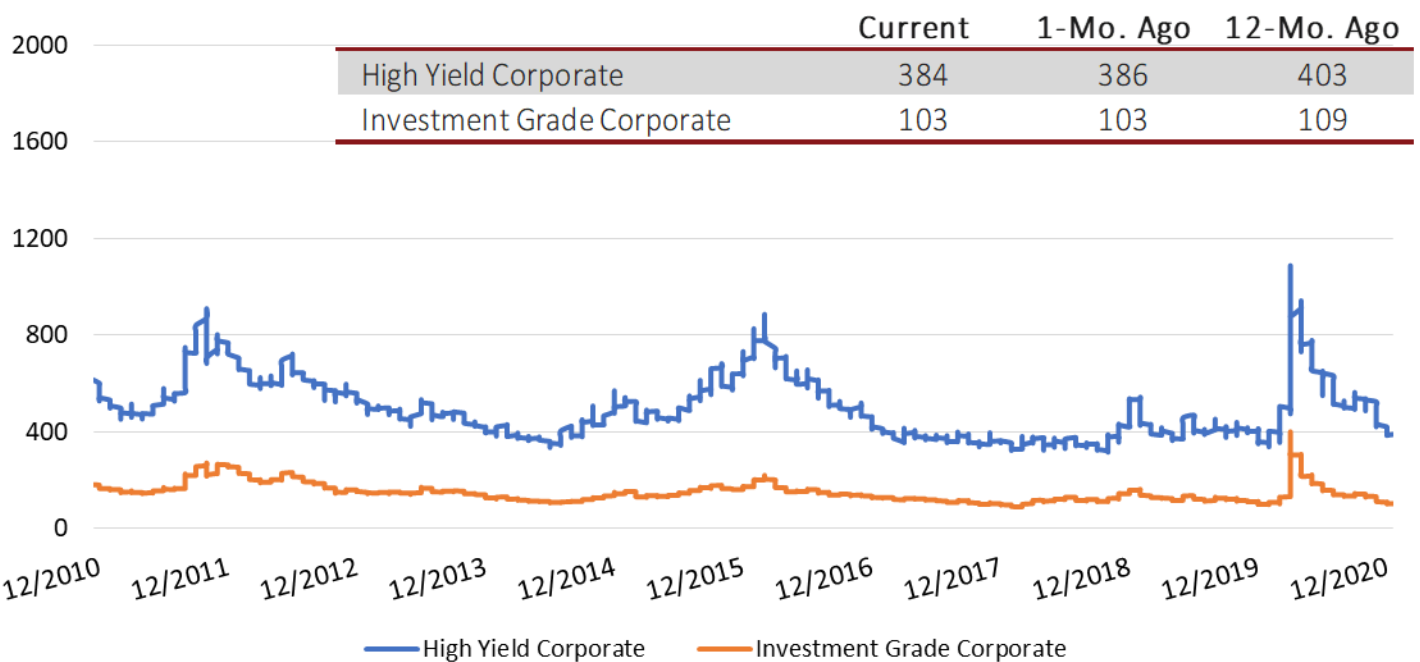
## Central Bank Policy Rates

(as of the most current policy decision)



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trade Economics

## Corporate Bond Average Spread (bps)



Source: Bank of America