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Market Comment:

The future looks bright

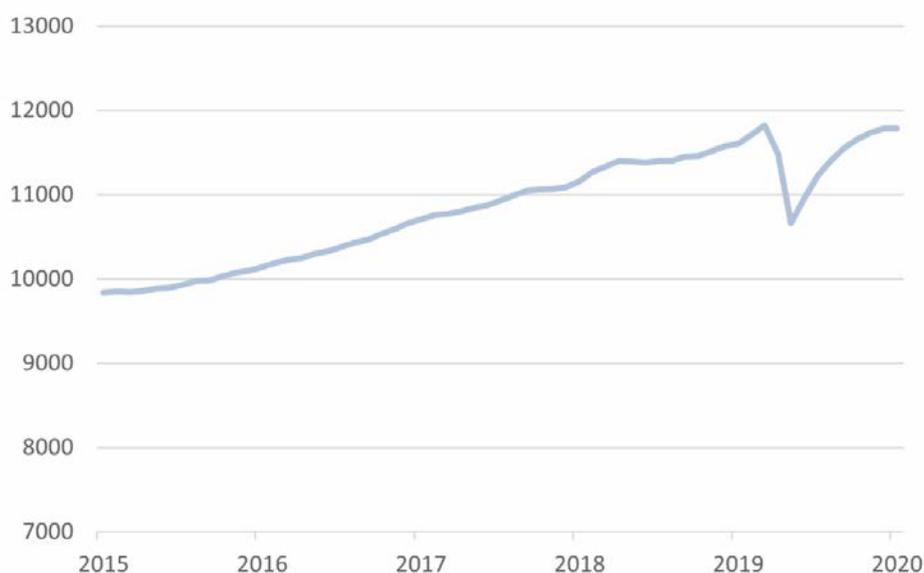
We received confirmation on Friday that the labor market slowed as coronavirus cases increased through December. This short-term setback in the labor market will provide additional support for President-elect Biden's fiscal stimulus proposals, but the economic weakness will likely prove transitory.

There are three important factors pointing to strong economic growth during the second half of this year:

1. Democratic control of the Senate puts a new policy agenda in play that will continue to provide unprecedented levels of fiscal stimulus to the US economy,
2. Aggregate household income (Fig. 1) and net worth has fully recovered and are pointing to pent-up demand that could be unleashed in the second half of 2021,
3. Monetary policy support will remain highly accommodative through the year.

As we said in our Annual Perspective, the outlook depends on COVID. Continued improvement in the vaccination program, which has been prioritized by the incoming administration, will provide a basis for economic growth that has a good chance of exceeding anything seen in the US for at least a decade.

Fig. 1: Personal Income Wage and Salary disbursements (Billions)



Source: Bloomberg, Mill Creek

Updated Benchmark Performance:

Benchmark Performance by Asset Class			
	Week-to-Date	Month-to-Date	Year-to-Date
U.S. Large Cap Equities	2.06%	2.06%	2.06%
U.S. Small Cap Equities	5.93%	5.93%	5.93%
International Developed Equities	3.16%	3.16%	3.16%
Emerging Markets Equities	4.79%	4.83%	4.83%
Global Equities	2.70%	2.71%	2.71%
U.S. Bonds	-0.94%	-0.94%	-0.94%
Intermediate Municipal Bonds	-0.03%	-0.03%	-0.03%
High Yield Bonds	0.23%	0.23%	0.23%
Oil	8.09%	8.09%	8.09%
Gold	-3.15%	-3.15%	-3.15%
Key Rates	1/8/2021	12/31/2020	1/8/2020
U.S. 2 Year Treasury Note	0.14	0.13	1.58
U.S. 10 Year Treasury Note	1.13	0.93	1.87

Week in Review:

Equity markets started 2021 by hitting fresh record highs as Democrats won the runoff elections in Georgia, and thus took control of the Senate. Meanwhile...

- The price of oil reached above \$50/barrel for the first time in nine months as Saudi Arabia announced an unexpected production cut – the price closed around \$52 on Friday.
- Small caps and international stocks outperformed, suggesting a positive outlook on the economy.
- 10-year US Treasury yields exceeded 1% for the first time since March 2020

On the economic data front:

- Employers cut 140,000 jobs in December led by bars and restaurants as the coronavirus resurgence forced closures. The unemployment rate held steady at 6.7%.
- Weekly first-time unemployment claims fell by 3,000 to 787,000. The prior week's numbers were revised up by 3,000.
- November's trade deficit totaled \$68 billion, the widest in 14 years as imports of consumer goods were the highest on record. Exports also grew, but not enough to keep pace with companies stockpiling ahead of the holidays.

Economic Calendar:

- Consumer Price Index – Wednesday, January 13th
- Retail Sales Data – Friday, January 15th
- Producer Price Index - Friday, January 15th

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Indices Used: U.S. Large Cap equities: Russell 1000 Index, U.S. Small Cap Equities: Russell 2000 Index, International Developed Equities: MSCI EAFE Index, Emerging Market Equities: MSCI Emerging Markets Index, U.S. Bonds: Barclays Aggregate Bond Index, U.S. 10 Year Treasury Note: Bloomberg 10 Yr. Treasury Note, Municipal Bonds: Barclays Intermediate Municipal Bond Total Return Index, High Yield Bonds: Barclays U.S. High Yield Total Return Index, Oil: Bloomberg WTI Crude Sub-Index Total Return Index, Gold: Bloomberg Gold Sub-Index Total Return Index

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