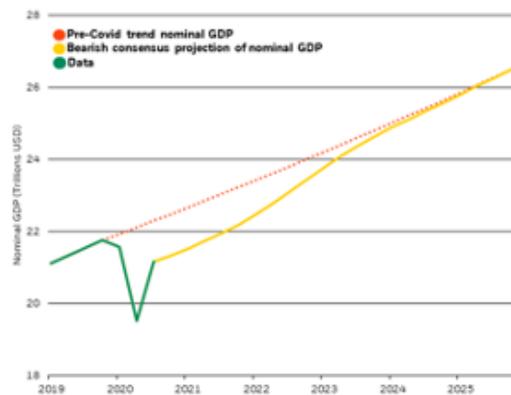




The Week That Was: December 21, 2020 - December 24, 2020. Major averages ended the shortened week mixed. Initial fears of a more transmissible coronavirus strain in the UK started the week on a down note but markets shrugged off losses, calmed by reassurances from health officials that the new strain would likely be treatable by the vaccines. Small cap and technology stocks were up with both Russell 2000 and Nasdaq indexes finishing the week higher. The large-cap benchmark lagged. The performance of technology shares was helped by gains in Apple, while communication services, consumer discretionary, and

energy shares lagged. The markets closed early Thursday and were fully closed on Friday. Last week, the President cast doubt over the new relief bill's passage, but under growing pressure from Congress, signed it into law Sunday evening to avoid a disastrous partial government shutdown and lapse in unemployment benefits for millions of Americans. With the continued vaccination in the U.S. surpassing 1 million people, consumer confidence took a dip as the weekly jobless claims rose.

U.S. nominal GDP and projection, 2019-2025



Source: BlackRock Investment Institute and Bloomberg, December 2020. Notes: The green line shows actual nominal U.S. GDP in trillions of dollars. The blue line shows the most bearish of the latest consensus forecasts compiled by Reuters. The dotted line shows the pre-Covid growth trend. There is no guarantee that any forecasts made will come to pass.

Source: BlackRock

Economic output as measured by GDP in the US should return in 2021 to the level reached prior to COVID-19 according to BlackRock. The initial economic shock experienced in Q1 2020 was dramatic, but the recovery since has been quick. Positive news on the COVID-19 vaccines, continued fiscal support and lower for longer interest rates by the Fed should bring back economic output level to 2019 level by the end of 2021. The economic recovery faces headwinds in the very near term as renewed stay-at-home restrictions have taken place in many parts of the country. Economic activity should rebound by the middle of 2021 as most of the population would have been vaccinated and spending grows.

SECTOR RETURNS

	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
Basic Materials	(0.21)	0.40	17.25	15.56	16.14
Communication Services	(0.96)	2.46	19.22	24.48	24.39
Consumer Cyclical	(0.54)	4.00	20.16	45.85	46.65
Consumer Defensive	(0.58)	0.35	8.31	10.34	10.42
Energy	(3.47)	(3.97)	26.41	(35.49)	(35.57)
Financial Services	0.66	1.79	22.74	(0.13)	0.08
Healthcare	(0.44)	4.26	12.71	14.50	13.95
Industrials	(0.10)	(0.64)	19.18	8.94	8.57
Real Estate	(1.63)	(0.26)	10.06	(8.64)	(7.56)
Technology	0.95	7.67	20.08	46.40	47.08
Utilities	(1.78)	(4.18)	7.08	(6.10)	(5.24)

MONDAY DECEMBER 28, 2020

Dallas Fed Texas Manufacturing Outlook

TUESDAY DECEMBER 29, 2020

Case-Shiller Home Price Index

WEDNESDAY DECEMBER 30, 2020

Chicago PMI Index

THURSDAY DECEMBER 31, 2020

Initial jobless claims (weekly)

Continuing jobless claims (weekly)

FRIDAY JANUARY 1, 2021

New Year's Day holiday

Major markets closed for trading

Our tactical model toes the line while remaining in positive territory as signs of a December slowdown emerge.

GAUGE OF THE GRADE



BEARISH



NEUTRAL



BULLISH





SOWELL'S WEEK AHEAD

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