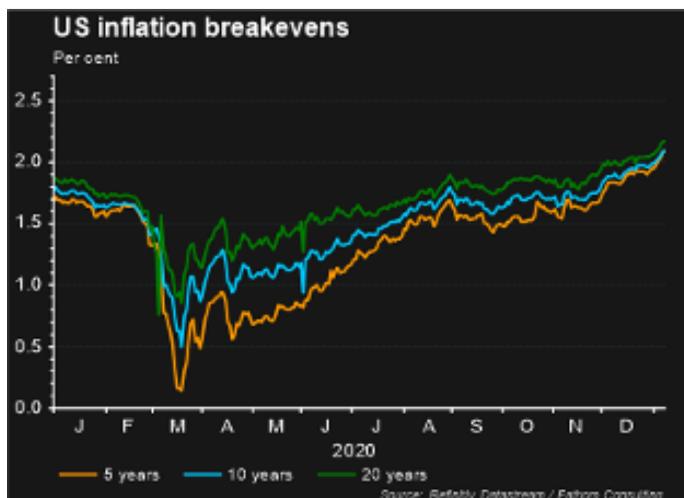




The first week of the new year saw major indexes hitting fresh record highs, buoyed by the prospect of more fiscal stimulus. Small-caps outperformed large-caps and value stocks outpaced growth stocks. Democrats secured the Senate majority following a pair of narrow runoff victories in Georgia. Democrat control of congress also raises the prospect of higher corporate tax rates, but considering the current state of the economy, tax reform might not be a

priority in 2021. The 10-year yields moved above 1% for the first time in nine months boosting the financial sector. Energy shares also gained with the WTI oil prices rising above \$50 as Saudi Arabia unexpectedly announcing a production cut. The unfortunate events on the U.S. Capitol on Wednesday afternoon unsettled the markets that day, but calm returned as the VIX index closed the week lower than it began.



Source: Refinitiv Datastream / Fathom Consulting

With the Democrats winning both Georgia senate run-offs, it gives President-elect Biden control of both houses of congress. This increases the likelihood of a bigger U.S. fiscal stimulus, adding to the risk of higher inflation. The 10-year US inflation break-even (difference between the nominal yield and the real yield on an inflation linked investment of similar maturity and credit quality) have now moved above 2.0% and are well above the lows of 0.5% seen last March.

SECTOR RETURNS					
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
Basic Materials	6.65	8.62	18.26	6.65	28.40
Communication Services	0.68	1.42	15.55	0.68	23.97
Consumer Cyclical	4.67	7.75	18.23	4.67	52.83
Consumer Defensive	(0.27)	0.40	4.31	(0.27)	12.37
Energy	9.31	4.51	32.59	9.31	(29.29)
Financial Services	3.73	7.10	20.06	3.73	5.61
Healthcare	3.74	4.69	10.57	3.74	19.51
Industrials	1.78	1.97	13.84	1.78	9.76
Real Estate	(2.31)	(1.46)	0.00	(2.31)	(8.67)
Technology	1.19	3.95	13.00	1.19	45.15
Utilities	(0.44)	0.57	(0.48)	(0.44)	(2.99)

MONDAY JANUARY 11, 2021
Carnival earnings
TUESDAY JANUARY 12, 2021
NFIB Small-Business Index
Alberstons and KB Homes earnings
WEDNESDAY JANUARY 13, 2021
Core CPI
Beige Book
Federal Budget
HIS Markit earnings
THURSDAY JANUARY 14, 2021
Initial jobless claims (weekly)
Continuing jobless claims (weekly)
Import Price Index
Delta Airlines, Blackrock and Charles Schwab earnings
FRIDAY JANUARY 15, 2021
PPI
Retails Sales
Industrial Production Index
Business Inventories
JP Morgan, Citibank, Wells Fargo and PNC Financial earnings

The markets shrugged off disappointing labor reports as better-than-expected manufacturing fundamentals continue to provide support for the tactical model to remain in positive territory. While the Democrats obtained a simple majority, it remains unclear whether major economic policies will be the focus of the Biden administration with the ongoing pandemic.

GAUGE OF THE GRADE



BEARISH

NEUTRAL



BULLISH





SOWELL'S WEEK AHEAD

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