



# Weekly Market Review

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## The Week Ending February 5, 2021

After a week of mania in the stock market, it was unclear what to expect as trading began last Monday morning. Luckily, rational investors returned and propelled the S&P 500 Index to five straight days of gains, ending the week up more than 4%. Much of the week's increase was supported by a potential \$1.9 trillion stimulus package on the table in Congress, corporate earnings, the January jobs report, and another COVID-19 vaccine in the final stages of approval.

While multiple factors contributed to the stock market's rise last week, fiscal stimulus was at the center. The market has been waiting on another significant stimulus after a slight letdown from the one passed in December. The Biden Administration has been moving to calm the markets and economic policymakers by promoting their \$1.9 trillion program. Treasury Secretary Janet Yellen and Fed Chair Jerome Powell urged Congress to "act big" and commented that the "benefits (of a large stimulus) would far outweigh the costs (of going too small.)" These comments, paired with recent economic data, continue to support the likelihood for a "go big" bill. Last week's release of January's jobs report presented a slight growth of 49,000 jobs created; however, this confirms more of a stall in the labor market's recovery than anything else. Payrolls experienced a strong recovery from the bottom last April until September. Since then, jobs growth has been flat as the economy remains 10 million jobs lower than last February.

The concern last fall was what the recovery would look like through the winter months under state-imposed restrictions on businesses and potential consumer reluctance to gather indoors. As events now play out in the economy, the stock market assumes this is a transitory factor. Once spring arrives, and the vaccine rollout continues, businesses should increase their hiring and return to growth levels like we saw last summer.

Even though the economic recovery remains slow, the stock market (a forward-looking indicator), is focused on the post-pandemic period. Our [Weekly Market Review](#) from December 4th explained how the economy and stock market are like walking a dog. While the dog (stock market) might currently be on a retractable leash and have more room to roam from the economy, the two are moving in the same direction, just at different paces. This analogy reminds us that it is difficult, even impossible, to know when the two will walk closer together. However, keeping a long-term mindset with a diversified portfolio will continue to provide the best chance of long-term success.



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