

Big Picture

Markets Fairly Steady, Despite Trump Impeachment, Worries Over Inauguration Violence

Stocks closed lower Monday as investors took some profits after last week's rally and looked nervously ahead to the unfolding impeachment drama and fears of violence during President-elect Joe Biden's inauguration next week in Washington. Adding to investor unease was last Friday's jobs report, which showed that the U.S. labour-market recovery took a step back in December, with seven months of job growth ending. By Monday's close, the Dow dropped 89 points, while the S&P and Nasdaq shed 25 and 165, respectively. In Canada, the TSX declined 107 points, weighed down by the materials sector, which lost nearly 2% on gold price weakness.

N.A. equity indexes edged slightly higher Tuesday as major tech shares regained ground lost on Monday. In U.S. bond news, 10-year Treasury yields climbed for the seventh straight session, up to 1.136%. Expectations of higher government spending and more bond sales have sparked a mild selloff in U.S. government issues.

Trading was fairly mixed Wednesday as investors awaited that night's impeachment vote, which eventually saw President Trump become the first U.S. president in history to be impeached two times. U.S. inflation data released Wednesday showed that consumer prices increased slightly last month, reflecting weak demand for a range of goods and services. By Wednesday's close, the S&P and Nasdaq notched minimal gains, while the Dow and TSX were off slightly.

U.S. stocks edged down Thursday as investors awaited more details for a fresh coronavirus relief package from the incoming Biden administration. Many investors are counting on additional stimulus to help the economy recoup wide-ranging losses resulting from the pandemic. Speaking of losses, new jobless claims data revealed Thursday that 965,000 Americans applied for unemployment insurance last week, outpacing economists' expectations. In Canada, the TSX rose 23 points by Thursday's close.

Finally, while North America and Europe wait for vaccine rollouts to get back on track, China is the only major economy expected to report growth for 2020. According to Chinese data, exports were especially strong, hitting a record \$2.6 trillion last year.

N.A. Markets Down Slightly

For the four trading days covered in this report, the Dow lost 107 points to close at 30,991, the S&P 500 dropped 30 points to settle at 3,795, while the tech-heavy Nasdaq surrendered 90 points to close at 13,112. In Canada, the TSX declined 84 points to end at 17,958.

Strategy

President-elect Joe Biden unveiled his US\$1.9 trillion pandemic-relief plan to protect the economic recovery and curb the spread of COVID-19

The package, known as the American Rescue Plan, includes more than US\$400 billion to accelerate vaccine distribution, increase testing, and speed the economy's reopening. It also consists of a US\$1,400 direct payment after Congress approved a US\$600 payment in December. The plan would extend unemployment benefits from its current mid-March expiry until the end of September and boost the amount to US\$400 a week. It would double the federal minimum wage to US\$15 per hour and allows for US\$350 billion in state and local government aid. Biden announced a second economic plan would be released later this year, including increased infrastructure spending and taxes. It is unclear how easily Biden can secure enough votes to pass the bill in a split Senate. Republicans are unlikely to approve the minimum wage increase and state aid, which was a contentious issue in past negotiations and was removed from the December package. We expect negotiations to lead to a smaller bipartisan package, as it will be tough for Republicans and more moderate Democrats to stomach a multi-trillion-dollar package. If a deal cannot be reached, Biden will likely lean on budget reconciliation to approve parts of the package, such as increased direct payments and employment insurance.

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