

OBSERVATIONS

- COVID-19: Preliminary data showed Johnson & Johnson's single shot vaccine candidate (currently in Phase 1 & 2) provided an immune response. Phase 3 data is expected in late January, with emergency use applications coming shortly thereafter.¹
 - As of 17-Jan, 39.7 million vaccines have been administered in 51 countries. Of which, 13.7 million have been administered in the U.S (last week averaged 850k vaccines administered per day).²
- Initial jobless claims rose to 965k, nearly 175k above expectations and 181k above prior week's claims – the largest weekly jump since March.²
- December's renewed lock down measures take a toll in sentiment of small businesses. The National Federation of Independent Businesses small business optimism index falls to 95.9, 7-month lows.³
 - Taxes and quality of labor were cited as the 2 most significant headwinds for small business.
- Core inflation (CPI ex Food and Energy) rose to +1.6% YoY. Airline fares and used cars and trucks were major categories that stand out as outliers with airfares declining -18.4% while used vehicle prices are up +10.0%, both on a YoY basis.⁴
- With interest rates on the rise, the fear of missing out on refinancing boosts mortgage refinance activity which now stands +93% higher than one year ago.⁵
- Big banks kicked off Q4 2020 earnings season last Friday. This week will see 40 companies in the S&P 500 report earnings. Expectations are for S&P 500 earnings to decline by -8.8% while revenues are expected to show a +0.4% growth, both on a YoY basis.
- Early indications suggest spending accelerating from November/December time period. Real-time credit and debit card spending data from Bank of America were up nearly 10% YoY in the early days of January – thanks in large part to the \$900bn stimulus package.⁶

EXPECTATIONS

- Overbought equity markets, earnings releases, and planned protests in most state capitols leading up to the presidential inauguration may invite additional volatility in the coming days.
- Double dip in Europe: The Euro area economy is expected to shrink in Q1 as stricter lockdowns constrain activity. Expectations are for GDP to contract by -4.1% (QoQ), according to Bloomberg estimates.
- A number of Federal Reserve officials have now indicated a willingness to consider "tapering" (reducing the size of its bond buying program) the Federal Reserve's quantitative easing program sometime in 2021. While likely no time soon, "taper" talk will likely garner the market's attention as the year progresses.

ONE MORE THOUGHT: Biden's New Pandemic Stimulus Plan

President-elect Biden unveiled a new stimulus plan last week, which entails \$1.9 trillion in new spending. About half of this new spending would go directly to U.S. households in the form of an additional \$1,400 direct payment—recall Trump signed a \$900 billion stimulus plan in late December that authorized a \$600 direct payment—to taxpayers and additional unemployment insurance including a \$400 per week 'plus-up' covering the first nine

¹ <https://www.jnj.com/johnson-johnson-covid-19-vaccine-candidate-interim-phase-1-2a-data-published-in-new-england-journal-of-medicine>

² Bloomberg LP

³ NFIB, <https://assets.nfib.com/nfibcom/SBET-Dec-2020.pdf>

⁴ <https://www.bls.gov/news.release/pdf/cpi.pdf>

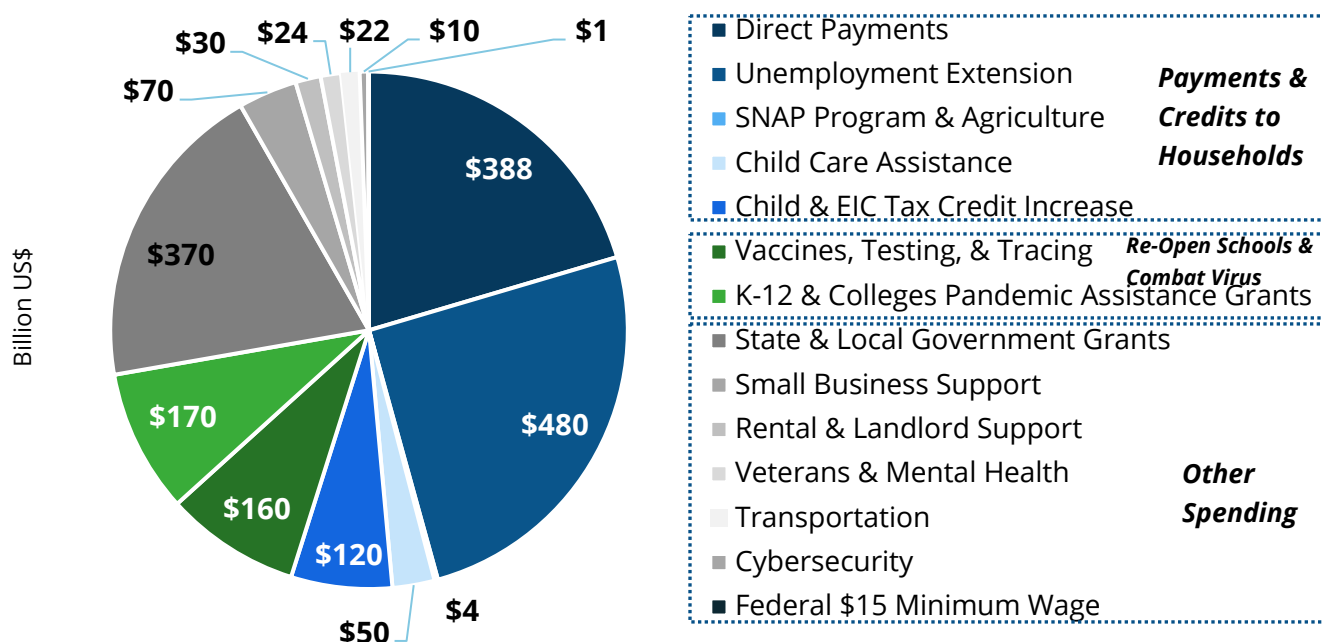
⁵ <https://www.mba.org/2021-press-releases/january/mortgage-applications-increase-in-latest-mba-weekly-survey>

⁶ Bank of America Global Research

months of 2021. The remainder of the plan is largely targeted towards combatting the virus and aid to state and local governments—see Chart of the Week (below). The Biden transition team have been in close contact with House Speaker Nancy Pelosi, Senate majority leader-to-be Chuck Schumer, and Senate Budget Reconciliation chair-to-be Bernie Sanders that can move through both houses quickly after Biden’s inauguration. It is anticipated that most of Biden’s new pandemic spending plan could be enacted via a simple majority in both houses, although a portion of the money targeted at supporting the state and local governments may require the approval of up to 60 Senators due to Senate voting rules.

CHART OF THE WEEK

President-Elect Biden - \$1.9 Trillion Pandemic Spending Plan



Source: Clearstead, WSJ, Lazard

About 49% of the new spending is targeted towards direct assistance to households and that number climbs to almost 60% if you include the increases to the tax child- and earned-income-credits relief. Another 20% is allocated towards combatting the spread of the virus and re-opening schools. The remaining aid is largely oriented to helping state and local governments maintain services and spending in light of falling tax revenue.

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