

Weekly Market Commentary

February 1, 2021

The Markets

They say people watching the same event often see different things. That seems to have been the case last week when share prices of a few companies experienced tremendous volatility.

Some cast the events as a David vs. Goliath morality tale, however, Michael Mackenzie of *Financial Times* saw it differently. He wrote, "...a speculative surge from retail investors using borrowed money...has in the past signaled a frothy market top." (In financial lingo, a market is 'frothy' when investors drive asset prices higher while ignoring underlying fundamentals.)

No matter how you characterize it, the events of last week were unusual. Felix Salmon of *Axios* explained, "Almost never does a stock trade more than twice its market value in a single day...It has happened 7 times this week already, and 20 times this month...What we've seen in the past month, and especially the past week, is certain companies becoming little more than vehicles for short-term gambling."

While the social-media-driven trading spectacle was fascinating, it overshadowed other substantive news that may affect more companies over a longer period of time:

- **The Federal Reserve left interest rates unchanged near zero.** Fed Chair Jerome Powell indicated rates will remain low until jobs have recovered, even if inflation moves beyond the Fed's target rate, reported Joy Wiltermuth and Andrea Riquier of *MarketWatch*.
- **The economy continued to grow during the fourth quarter of 2020.** The *Bureau of Economic Analysis* reported gross domestic product (GDP), which is the value of all goods and services produced, increased from the third to the fourth quarter of 2020. The pace of growth slowed significantly from the third quarter as the coronavirus continued to interfere with economic activity.
- **A highly anticipated vaccine proved less effective than anticipated.** Markets responded negatively to the news that a single-shot vaccine was 66 percent effective globally. The value of the vaccine is greater than the statistic suggests, according to experts cited by Ben Levisohn of *Barron's*. The shot, "...prevented severe symptoms in 85 percent of patients, meaning that even those who caught the virus had cough, sniffles, and fevers but avoided the worst outcomes..."
- **Company earnings in the fourth quarter were better-than-expected.** On Friday, John Butters of *FactSet* wrote, "Overall, 37 percent of the companies in the S&P 500 have reported actual results for Q4 2020 to date. Of these companies, 82 percent have reported actual EPS [earnings-per-share] above estimates..."

Last week, major U.S. stock market indices finished lower.

Data as of 1/29/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-3.3%	-1.1%	13.5%	9.2%	13.9%	11.2%
Dow Jones Global ex-U.S.	-3.7	0.1	10.6	0.5	8.1	2.6

10-year Treasury Note (Yield Only)	1.1	NA	1.6	2.7	1.9	3.4
Gold (per ounce)	0.6	-1.3	18.5	11.5	10.9	3.5
Bloomberg Commodity Index	1.3	2.6	5.6	-4.0	0.7	-6.8

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT'S NEW? In January, the Merriam Webster Dictionary added 520 words to its pages. The additions include new words that have found their way into common use, as well as expanded definitions for words that were already well-established. Here is a sampling of the new entries:

- **Hygge:** A cozy quality that makes a person feel content and comfortable
- **Pod:** A small group of people who interact closely while minimizing outside contact to avoid exposure to a contagious disease
- **Hard pass:** A firm refusal or rejection
- **Cancel culture:** The practice of engaging in mass canceling as a way of expressing disapproval and applying social pressure
- **Crowdfunding:** Obtaining needed funding by asking a large number of people, usually members of an online community, for contributions
- **Gig worker:** A person who works temporary jobs as an independent contractor or freelancer
- **Second gentleman:** The husband or male partner of a vice president or second in command of a country or jurisdiction

As new words become common or expand their meanings, other words become obsolete. What are some words that explained the world when you were younger and have fallen out of use? Britches, floppy disk, icebox, and yuppie come to mind.

Weekly Focus – Think About It

“For last year's words belong to last year's language
And next year's words await another voice.”

--T.S. Eliot, Poet, editor, playwright

Best regards,

Angela M. Bender

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Earnings Per Share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

- * There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
- * Asset allocation does not ensure a profit or protect against a loss.
- * Consult your financial professional before making any investment decision.

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