

WEEK IN REVIEW

FRIDAY, JANUARY 29TH 2021

1. COVID CASES INFLECTED DOWNWARD

The spike in daily new cases post-Thanksgiving is beginning to fade with the average now below 200,000. Hospitalizations have also begun to improve. Since vaccination efforts began in the U.S. on December 14th, more than 26 million doses have been administered reaching 6.5% of the population per the CDC. The U.S. is currently administering around 1 million shots a day.

Overview of National COVID-19 Data

Last 90 days **Historical**

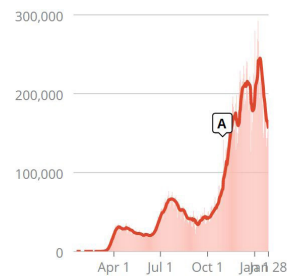
— Solid line represents National 7-day average

New tests

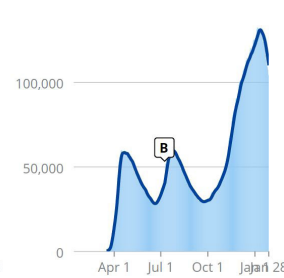
Total test results (mixed units)



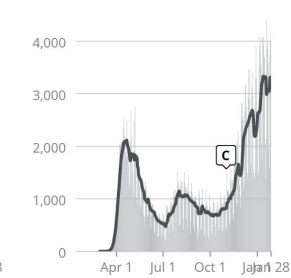
New cases (Notes)



Current hospitalizations (Notes)



New deaths (Notes)

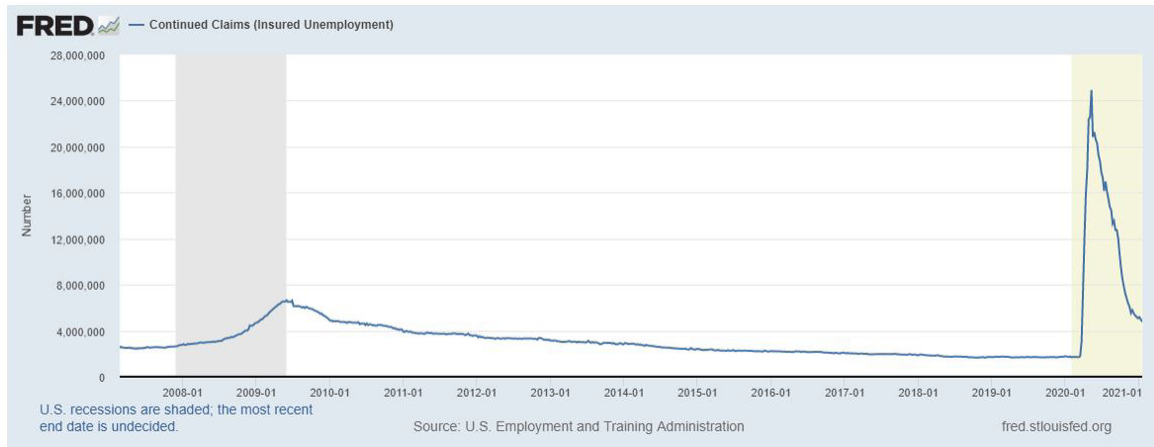


Source: covidtracking.com/data

Other positive news on the vaccine front has come from Johnson & Johnson and Novavax. Johnson & Johnson has revealed that its one-shot vaccine is 66% effective at protecting people from moderate to severe disease in large clinical trials. The distribution of this vaccine to the public will be much easier as it requires only one shot and can be stored without refrigeration. In a UK study, Novavax reported their vaccine is 89% effective against COVID-19. Approval of these additional vaccines will enable the global population to be protected at a faster rate.

2. ECONOMIC DATA TURNING SHOWING SIGNS OF IMPROVEMENT

Fourth-quarter U.S. GDP rose 4.0% which trailed expectations of 4.2% but continues to show an improvement in economic activity. Unemployment improved with initial claims dropping by 67,000 to 847,000, and continuing claims dropping to a current recession low of 4.7 million.



Source: fred.stlouisfed.org

The service economy continues to struggle with coronavirus lockdowns, while Washington debates a new stimulus bill. Federal Reserve Chairman, Jerome Powell, spoke this week about keeping interest rates unchanged and projects zero rates for an extended period of time. Lower rates will help support the struggling economy. The Fed already had committed to not raising rates until inflation exceeds its 2% goal even if unemployment comes down to levels that normally had signaled price pressures. Powell said fears the Fed may soon begin to consider curbing its monthly asset purchases are premature.

3. FOURTH-QUARTER EARNINGS

According to FactSet's latest Earnings Insight report, the blended earnings growth rate for Q4 S&P 500 EPS currently stands at (2.3%). This compares to the (9.2%) expected at the end of the quarter. The blended revenue growth rate is +1.7%. Of the 37% of S&P 500 companies that have reported for Q4, 82% have beaten consensus EPS expectations, above the 75% one-year and 74% five-year averages. In addition, 76% have surpassed consensus sales expectations, above the 66% one-year and 62% five-year averages. In aggregate, companies are reporting earnings that are 13.6% above expectations, better than the 11.9% one-year average positive surprise rate and the five-year average of 6.3%. In aggregate, companies are reporting sales that are 3.2% above expectations, better than the 1.4% one-year positive surprise rate and the five-year average of 0.9%.

THINKING AHEAD

The coronavirus vaccine roll-out has begun in the U.S. with 26 million vaccinated. Coronavirus cases remain elevated around the country pressuring the healthcare system, but fewer cases are being reported. Odds have increased for a bi-partisan stimulus package to aid struggling U.S. consumers and businesses. Macroeconomic data is mixed as the country hobbles through the pandemic. Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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