

WEEK IN REVIEW

FRIDAY, JANUARY 8TH 2021

1. GEORGIA SENATE RACES GO TO THE DEMOCRATS

Georgia held runoff races for their Senate seats this week, and both Democratic candidates were victorious. The balance of power in the Senate is now 50 Republicans and 50 Democrats with Vice President-elect Kamala Harris adding the tiebreaking vote for any legislation. With these victories, the Democrats now control the Senate, the House, and the Presidency following President-elect Joe Biden's inauguration.

Legislation that the Democrats may look to pursue would include the following: first, more stimulus would be on the way in the form of stimulus checks and an extension of unemployment benefits. Second, infrastructure spending could increase with a focus on areas such as electric vehicles, solar power, and other infrastructure projects. State and local governments may also be eligible for additional aid. These stimulus programs may come at the cost of higher taxes.

2. CORONAVIRUS SURGE PERSISTS

The post-Thanksgiving surge in cases has been sustained at a high level with new active cases in the U.S. numbering over 200,000 per day. Current hospitalizations and deaths are still on the rise while some localities are running low on intensive care unit capacity.



Source: covidtracking.com/data

Bloomberg discussed how a new study by researchers at the University of Texas Medical Branch supported by Pfizer and BioNTech shows that the companies' vaccine may offer some protection against new faster-spreading mutations of the coronavirus that have emerged from the UK and South Africa. However, this has seemingly been the consensus view since the new strains started to play into concerns about worsening coronavirus trends. In addition, elevated vaccine optimism has remained a key tenet of the bullish narrative in the market, as the overall development process has overshadowed concerns in recent weeks about a disappointing initial rollout stemming from a myriad of issues. These include a lack of federal support, funding, and staffing constraints.

3. ECONOMIC DATA IS MIXED AROUND THE HOLIDAYS

Weekly initial jobless claims have been averaging about 790,000 for the last few weeks. Continuing claims for the week did edge down to 5.0 million from 5.5 million pre-holiday. With many sectors of the economy severely impacted by the COVID shutdowns, stimulus packages from Washington will be key to bridging the gap to full economic recovery.



Source: fred.stlouisfed.org

In other economic data from Factset, December nonfarm payrolls of -140,000 were below consensus of 50,000-100,000. The prior two months were revised up 135,000. Private payrolls of -95,000 were below consensus of 128,000. A large loss was seen in the leisure and hospitality sector (-498,000) as well as government (-45,000). Manufacturing payrolls were a bright spot up 38,000 vs an estimated 25,000. Average hourly earnings of 0.8% were above 0.2% consensus, skewed higher by a mix shift as lower-paying leisure jobs were reduced.

THINKING AHEAD

The coronavirus vaccine roll-out has begun in the U.S., although slower than expected. Coronavirus cases remain elevated around the country pressuring the healthcare system. Stimulus checks and infrastructure spending are likely to be passed by the Democrat leadership in the Federal government. 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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