



# INCISIVE INVESTOR

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## WEEK IN REVIEW

# INFRASTRUCTURE BILL LIFTS MARKETS

### Stock Market News



The S&P 500 rose to another record Friday after investors poured over fresh U.S. economic data a day after an infrastructure spending agreement in Washington helped lift the broad market to all-time highs.

The Dow also finished higher, with climbing Nike shares being a big driver of its gains. JPMorgan Chase & Co. also added to the benchmark's performance, after the results of the Federal Reserve's latest stress tests, released Thursday, showed banks have enough capital to withstand a severe global recession and so can resume paying dividends and buying back stock.

The Dow Jones Industrial Average DJIA rose 237.02 points, or 0.7%, to 34,433.84 That compares with the blue-chip's May 7th record of 34,777.76. The S&P 500 SPX

advanced 14.21 points, or 0.3%, to a record close of 4280.70. The Nasdaq Composite Index COMP slipped 9.32 points, or less than 0.1%, to 14,360,39.

For the week, the Dow advanced 3.4%, marking its best weekly rise since March 12th. The S&P 500 rose 2.7%, its largest weekly gain since February 5th, while the Nasdaq climbed 2.4%, scored in biggest weekly advance since April 9th, FactSet data show.

As for the stock performance of smaller companies, the Russell 2000 index RUT booked a 4.3% gain this week, its biggest weekly jump since March 12th.



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## Fed echoes patient approach



Fed Chair Jerome Powell attested on Capitol Hill that the central bank sees no risk of runaway inflation. While inflation has increased particularly in recent months, it is expected to drop back toward the Fed's longer-run goal. The Fed will support the economy for as long as it takes to complete its recovery. Powell adds that the central bank will not raise rates preventively because it fears the possible onset of inflation, instead will wait for actual inflation or other imbalances before tightening policy. Federal Reserve Bank of New York President John Williams said that while the economy is improving at a rapid clip, conditions have not progressed enough for the Fed to shift its monetary stance. The comments helped calm fears that were sparked a week ago when Fed forecasts showed that members of the rate-setting Federal Open Market Committee expected to

hike rates twice in 2023 which was some months earlier than they had previously predicted.

## Bipartisan US infrastructure reaches deal

A bipartisan group of US Senators and the White House agreed on Thursday on an infrastructure package totaling nearly \$1 trillion of spending over five years on roads, bridges, mass transit, etc. However, US President Joe Biden said he would veto the legislation if it were not accompanied by a broader social spending plan that focuses on what his administration calls human infrastructure. The second measure is opposed by Republicans. Early indications are that it may have trouble gaining the support of all 50 Democratic Senators to pass under the Senate's esoteric budget reconciliation rules, which require only a simple majority to gain passage rather than the usual 60 votes.

## Sales slip amid soaring US house prices

The median price of an existing home in the US climbed 24% from a year ago in May, helping cool demand for homes despite still-low interest rates as more buyers are priced out of the market. Sales of both new and existing homes declined last month as inventories of unsold properties fell to shockingly low levels. According to data from the National Association of Realtors, houses remained on the market for only 17 days on average, before selling. The median price of an existing home in the US reached \$356,600 last month.

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## HEADLINERS

All banks regulated by the Fed passed their annual stress tests. This paves the way for the Fed to end temporary limits on the banks' dividend payouts and stock buybacks.

According to the Centers for Disease Control and Prevention, in the nine months following the beginning of the pandemic in March 2020, the US birth rate declined at its highest level since 1973. The CDC reports that during 2020, deaths overtook births in half the states. Slower population growth is worrisome for

long-term potential growth.

The S&P 500 Index and the Nasdaq Composite both ended at record highs on Thursday.

On Friday, inflation in core personal consumption expenditures which is the Fed's preferred inflation measure, rose to its highest level in nearly 30 years reaching 3.4%, well above the central bank's 2% target.

President Biden said that the federal government will allow municipalities to redirect COVID-19 relief funding to hire more law enforcement personnel.



## MAJOR STOCK MOVES

Shares of Dow component Nike Inc. NKE soared 15.5%, after the company late Thursday topped Wall Street revenue estimates by more than \$1 billion, a turnabout from the year-ago quarter when sales were pummeled by the COVID-19 pandemic.

Shares of Virgin Galactic Holdings Inc. SPCE soared almost 39% after the company said it received approval from the Federal Aviation Administration to fly passengers into space.

BlackBerry Ltd. BB shares fell more than 4%

after the company, a popular meme stock, reported a narrower-than-expected adjusted quarterly loss and sales that beat expectations late Thursday.

Shares of big banks, including Bank of America Corp. BAC, JP Morgan Chase & Co. JPM, and Citigroup Inc. C, rose after the Fed stress tests. Shares BofA. climbed 1.9%, Citi shares edged up 0.3% and JPMorgan's stock closed 1% higher.

Shares of CarMax Inc. KMX rose 6.7% after reporting results early Friday that blew past Wall Street forecasts, boosted by surging demand for used cars.

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