

# EMERALD

## MARKET VIEW WEEKLY

October 15<sup>th</sup>, 2021



### ECONOMIC REVIEW<sup>1</sup>

- The Job Openings and Labor Turnover Survey (JOLTS) for August showed that there are still 10.439 million open jobs in the economy, however, this is better than the July reading which was revised up to 11.098 million open jobs.
- Consumer Price Index (CPI) increased 0.4% on a month-over-month basis, beating economists' expectations of 0.3%. The year-over-year increase was 5.4%.
- Producer Price Index (PPI) increased 0.5% on a month-over-month basis, lower than economists' expectations of 0.6%. The year-over-year increase was 8.6%
- Retail sales came in above expectations. On a month-over-month basis, sales increased 0.7% compared to a projected decrease of -0.2%.

**INSIGHT:** Although jobs are plentiful, the economy may be at risk of structural unemployment as more and more employers are sighting that they cannot fill positions due to unqualified candidates. Inflation measures, while showing signs of moderating, are still above normal cycle averages. Producer prices continue to show inflationary pressures as input prices remain elevated, pointing to a greater probability that companies may pass these costs to the end consumer. As a result of persistent inflation and disrupted supply chains, Federal Reserve officials discussed beginning to taper bond buying as soon as mid-November and wrapping it up by the middle of 2022 in their most recent minutes. However, rising prices does not seem to be deterring the consumer as retail sales showed a strong increase for the month of September. We would note that there are concerns that the supply problem will hamper the upcoming holiday shopping season, and consumers are being encouraged to shop now to avoid problems later.



### A LOOK FORWARD<sup>1</sup>

- Housing starts will be announced on Tuesday, with expectations for 1.610 million, a decrease from the prior month's starts of 1.615 million.
- Building Permits will be also announced on Tuesday, with expectations for 1.670 million permits, which is a decrease from the previous month's reading of 1.728 million.
- Existing Home sales will be announced on Thursday; survey estimates expect 6 million sales, an increase from the previous month's sales of 5.88 million.

**INSIGHT:** The housing market continues to see explosion in both demand and property values. With interest rates at record lows, first time buyers proved eager to move out of apartments and lock in low mortgage rates. However, while demand remains, buyers are sitting on the sidelines as they are waiting for a drop in prices as more homes come to market. On the other side of the coin, waiting for lower home prices may mean buyers will be paying a higher mortgage rate. The Federal Reserve remains steadfast in its plans to announce tapering in mid-November which would include slowly winding down its monthly purchases of \$40 billion in mortgage-backed securities. With the removal of this support by the Fed there is a possibility of rates moving higher.

# MARKET UPDATE

Market Index Returns as of 10/15/21 <sup>1</sup>	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.84%	3.86%	20.40%	30.27%	19.71%	18.16%
NASDAQ	2.18%	3.12%	16.18%	28.04%	27.24%	24.59%
Dow Jones Industrial Average	1.58%	4.34%	16.98%	26.23%	14.32%	16.88%
Russell Mid-Cap	2.34%	4.27%	20.09%	35.40%	18.48%	15.98%
Russell 2000 (Small Cap)	1.47%	2.81%	15.57%	39.62%	14.88%	14.80%
MSCI EAFE (International)	2.42%	1.93%	10.44%	27.08%	10.69%	9.71%
MSCI Emerging Markets	2.13%	2.47%	1.19%	16.90%	12.24%	9.92%
Bloomberg Barclays US Agg Bond	0.33%	-0.17%	-1.72%	-1.09%	5.52%	3.05%
Bloomberg Barclays High Yield Corp.	0.15%	-0.18%	4.35%	9.66%	7.13%	6.36%
Bloomberg Barclays Global Agg	0.23%	-0.13%	-4.19%	-1.39%	4.32%	2.43%



## OBSERVATIONS

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +1.84% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index increased by +1.47% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +2.42%, outperforming domestic stocks.
- Emerging market stocks were positive on the week with the MSCI EM up +2.13%.
- U.S. investment grade bonds were positive last week with the Bloomberg Barclays U.S. Aggregate Bond index up +0.33%.



## BY THE NUMBERS

**NOT ALL ARE COUNTED THE SAME** - As of the close of stock trading on Friday 10/15/21, just 5 stocks in the S&P 500 index, i.e., just 1% of the index's stocks, are responsible for 20% of the index's return. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

**EXPECTING NOTHING** - 42% of working Americans surveyed in December 2018 fear that they will receive no retirement benefits from Social Security when they retire (source: Pew Research Center).

**REDUCED, NOT ELIMINATED** - Social Security trustees announced on 8/31/21 that unless financial changes are implemented, the payment of Social Security benefits would drop to 76% of their originally promised levels beginning in 2033 through the year 2095 (source: Social Security Trustees 2021 Report).

**PRINT AND PURCHASE** - The Fed's balance sheet reached \$7.96 trillion as of 10/13/21, up from \$3.76 trillion as of 1/08/20. The first US pandemic death occurred in the week before 1/11/20 (source: Federal Reserve).

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**CPI (headline and core):** Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

**Producer Prices (PPI Headline and Core):** PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

**Retail Sales:** Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

**Job Openings – JOLTS:** This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

**Building Permits:** This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

**Housing Starts:** Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

**Existing Home Sales:** This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is working with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

**The Federal Reserve System:** The central bank of the United States. It performs several general functions to promote the effective operation of the U.S. economy and, more generally, the public interest.

### *Index Definitions*

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

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<sup>1</sup> Data obtained from Bloomberg as of 10/15/2021

 The logo for Emerald Financial Services features a circular emblem with a star at the top. A dark green banner across the center contains the word "EMERALD" in white, bold, serif capital letters. Below the banner, the words "FINANCIAL SERVICES" are written in a smaller, dark green, sans-serif font. The entire emblem is set against a light gray background with a dotted border.	<p><b>60 Barrett Drive, Suite G Webster, NY 14580</b></p> <p>Phone (585) 265-2870 Fax (585) 265-2885</p> <p><a href="http://www.emeraldinc.com">www.emeraldinc.com</a></p> <p><i>Securities offered through Securities America, Inc., a Registered Broker/Dealer, Member FINRA/SIPC. Advisory services offered through Securities America Advisors, Inc., an SEC Registered Investment Advisory Firm. The Securities America Companies and Emerald Financial Services are separate entities.</i></p>
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