Weekly Update
Harsh Weather Hampers Retail Sales
March 19, 2021

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The Economy

- Retail sales deteriorated by 3.0% in February after surging by 5.3% in the prior month, primarily because unseasonably cold weather kept consumers at home. U.S. retailers are expected to see a rebound in March as many households are set to receive $1,400 stimulus checks under the American Rescue Plan Act of 2021; improving COVID-19 vaccination rates should also encourage a return to brick-and-mortar stores. Consumer spending accounts for about 70% of U.S. economic activity.
- Total import prices rose by 1.3% in February due to higher energy prices and a weaker U.S. dollar in a continued rally from early-pandemic declines caused by supply-chain disruptions and key-materials shortages. Export prices grew by 1.6% during the month on increasing agricultural and nonagricultural costs. Both import and export prices have benefited from swelling demand as the global economy recovers from the pandemic.
- Industrial production shrank by 2.2% in February after nine consecutive months of growth. Overall capacity utilization (the percentage of resources used to produce goods in manufacturing, mining, and electric and gas utilities for all U.S. facilities) fell by 1.8% to 73.8%. Manufacturing output declined by 3.1% for the month as inclement weather hampered a broad range of manufacturing categories.
- The outlook for single-family homes slipped from 84 to 82 in March, primarily on rising interest rates and lumber costs, according to the National Association of Home Builders/Wells Fargo Housing Market Index. The reading remained solid but may run into challenges due to supply shortages and growing demand for lumber.
- U.S. economic health improved by 0.2% in February, as measured by the Conference Board's leading economic index (a composite of 10 forward-looking components). Progress is expected to continue during the first half of 2021 due to higher COVID-19 vaccination rates and pent-up consumer demand. A leading indicator is an economic factor that shifts before the rest of the economy begins to move in a particular direction.
- Initial jobless claims remained near historic highs during the week ending March 13, increasing by 45,000 to 770,000 on business restrictions intended to curb the spread of COVID-19. Warmer weather and an extensive vaccine-distribution plan is expected to promote job growth later in the spring.
- Mortgage-purchase applications increased by 2.0% for the week ending March 12. In the same period, refinancing applications fell by 4.0% and the average interest rate on a 30-year fixed-rate mortgage moved up from 3.05% to 3.09%.
- Japan's consumer-price index inched 0.1% higher in February due to rising energy prices—but remained in negative territory on a year-over-year basis, falling by 0.4% on lower oil prices.

Stocks

- Global equity markets closed lower for the week. Developed markets led emerging markets.
- U.S. equities were in negative territory. Telecommunications and health care were the top performers, while financials and energy lagged. Growth stocks led value, and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield moved higher to 1.72%. Global bond markets were in negative territory this week. Global government bonds led, followed by global corporate bonds and high-yield bonds.

The Numbers as of March 19, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.2%	4.2%	66.7%	673.4
MSCI EAFE ($)	1.2%	4.6%	62.6%	2246.8
MSCI Emerging Mkts ($)	-0.1%	4.3%	75.8%	1347.3
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-0.5%	6.6%	62.4%	32628.0
S&P 500 ($)	-0.7%	4.3%	62.6%	3917.1
NASDAQ ($)	-0.8%	2.5%	84.8%	13215.2
S&P/ TSX Composite (C$)	0.0%	8.1%	54.9%	18851.4
U.K. & European Equities				
FTSE All-Share (£)	-0.7%	4.1%	37.2%	3824.9
MSCI Europe ex UK (€)	0.9%	6.8%	49.4%	1530.9
Asian Equities				
Topix (¥)	3.1%	11.5%	56.8%	2012.2
Hong Kong Hang Seng ($)	0.9%	6.5%	33.5%	28990.9
MSCI Asia Pac. Ex-Japan ($)	0.2%	5.0%	77.2%	695.0
Latin American Equities				
MSCI EMF Latin America ($)	0.7%	-5.2%	55.5%	2323.4
Mexican Bolsa (peso)	-1.6%	6.6%	33.7%	46984.4
Brazilian Bovespa (real)	1.6%	-2.6%	69.7%	115938.2
Commodities ($)				
West Texas Intermediate Spot	-6.4%	26.6%	143.5%	61.4
Gold Spot Price	1.4%	-8.0%	18.4%	1742.9
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	-0.2%	-4.0%	9.1%	536.6
JPMorgan Emerging Mkt Bond	0.2%	-4.4%	22.5%	892.3
10-Year Yield Change (basis points*)				
US Treasury	10	81	58	1.72%
UK Gilt	2	64	12	0.84%
German Bund	1	28	-10	-0.30%
Japan Govt Bond	-1	9	3	0.11%
Canada Govt Bond	0	91	59	1.59%
Currency Returns**				
US$ per euro	-0.4%	-2.5%	11.4%	1.191
Yen per US$	-0.1%	5.5%	-1.6%	108.90
US$ per £	-0.4%	1.4%	20.7%	1.386
C$ per US$	0.2%	-1.7%	-13.8%	1.251

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

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