Market Commentary

For the week of June 28, 2021

The Markets

Returns Through 6/25/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	3.44	13.56	36.43	14.97	17.32
NASDAQ Composite (PR)	2.36	11.79	44.41	25.18	26.72
S&P 500 (TR)	2.76	14.79	41.01	18.54	18.26
Barclays US Agg Bond (TR)	-0.41	-2.00	-0.55	5.28	3.06
MSCI EAFE (TR)	1.50	10.55	34.51	8.95	11.21

Observations

• U.S. equities moved higher this week as indicated by the S&P 500 which was up +2.76% on the week.
• In the U.S., smaller sized companies outperformed their larger-sized counterparts, as the Russell 2000 index rose
+4.33% on the week.
• International stocks as measured by the MSCI EAFE were positive on the week, up +1.50%, underperforming
domestic stocks.
• Emerging market stocks were also positive on the week with the MSCI EM index up +1.41%.
• U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index
down -0.41%.

Data Obtained from Bloomberg as of 6/25/2021

Economic Review

- Personal Spending was unchanged from a month prior, after an increase of 0.9% in April.
- Personal Income decreased -2.0% for the month of May, slightly higher than economists' forecasts which called for
a decrease of 2.5% and an improvement over the April reading of -13.1%.
- The Personal Consumption Expenditure Deflator (PCE) increased 0.4% on a month over month basis and jumped
3.9% on a year over year basis.
- University of Michigan Consumer Sentiment Index came in at 85.5, missing economists' expectations of 86.5.
- New Home Sales missed forecasts coming it at 769,000, down roughly -5.9% on a month over month basis.
- Initial Jobless Claims also missed, coming in higher than expected with a 411,000 print versus the expected reading
of 380,000

INSIGHT: While continuing to move in the right direction, in recent weeks, economic data has tended to miss economists' forecasts, raising questions that the current economic recovery may not be as robust as expected. However, this divergence from economists' forecasts and reported data may be reflective of the current supply constraints facing markets. Employers are having a difficult time filling job openings; therefore, the supply of goods and services has not met consumer demand. Similarly, with economies around the world reopening at different paces, the availability of materials and other key inputs is scarce, leading to increased prices of goods. The Federal Reserve has stated their belief that higher prices will be transitory and will revert to the longer-term average as we get further along in the economic reopening, however, there have been signs that some of measures of inflation may prove to be more persistent2 . Over the past year consumer prices have risen 3.9%, reflecting the biggest gain since 2008 when oil prices hit a record high of $150 a barrel.

A Look Forward

- Initial jobless claims will be released on Thursday, with expectations of a decrease in claims to 382,000, down from the prior reading of 411,000.
- The Conference Board Consumer Confidence Index will be released on Tuesday, with expected reading of 117.
- The change in Non-farm Payrolls will be released on Friday, with estimates of an increase of 675,000 jobs, up from last month's reading of 559,000.
- The unemployment rate will be released on Friday, with median expectations of 5.7%, a decrease from last month's reading of 5.8%

Data Obtained from Bloomberg as of 6/25/2021

INSIGHT: Consumer confidence is expected to increase over last month's number, signaling the consumer is starting to feel the pressures of the pandemic being lifted and the success of the reopening coming to fruition. Economists are anticipating improvements in the labor market next week in non-farm payrolls, the unemployment rate, and initial jobless claims. The unemployment rate is estimated to come in at 5.7%, which has important implications for monetary policy moving forward. The unemployment rate is one of two factors in the Fed's dual mandate, which are stable prices and full employment.

Fun Facts

STOCKS: In the last 30 years, the best 12-month performance for the S&P 500 occurred over the 1-year period that ended 3/31/21. The S&P 500 gained +56.4% (total return) from 3/31/20 to 3/31/21. 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).

NOT IN THE OFFICE: Although only 20% of American employees were "working from home" (WFH) before the pandemic, 71% were WFH by December 2020 and 54% want to continue to WFH after the pandemic is contained. As a result of the change to WFH, the demand for office space is falling, e.g., vacant office space in Manhattan (New York City) is at its highest level in 30 years (source: Pew Research Center).

REAL ESTATE: The 2020 pandemic caused thousands of home sellers to pull their homes off the market, fearful of strangers entering their homes during the crisis. In March 2020 at the start of the pandemic, 1.49 million existing homes were on the market for sale. By March 2021, just 1.05 million homes were on the market. With a smaller supply, home prices soared. The median sales price of existing homes sold rose from $280,700 in March 2020 to $350,300 in May 2021, an increase of +25% in 14 months (source: Nat'l Association of Realtors).

OUT IN THE OPEN: American golfers played 500 million rounds of golf in calendar year 2020, an increase of +13.9% over total rounds played in calendar year 2019. The increase is remarkable given that most golf courses were closed for at least a month in the spring of 2020 (source: National Golf Foundation).

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