

In this week's recap: As consumer prices take a big step up, stocks take a step in the other direction.

Weekly Economic Update

Presented by Hirling Financial Group, May 17, 2021

THE WEEK ON WALL STREET

A surge in consumer inflation unsettled investors, leading to a turbulent week of trading on Wall Street.

The Dow Jones Industrial Average slipped 1.14%, while the Standard & Poor's 500 fell 1.39%. The Nasdaq Composite index dropped 2.34% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, lost 3.02%.^{1,2,3}

INFLATION CONCERNS

The market has been troubled recently by building inflationary pressures. Investors are concerned that rising prices may hurt corporate profits and force the Fed to tighten its monetary policy sooner than anticipated. Worse, investors fear the Fed may have to react more aggressively if it waits too long to act.

After back-to-back losses, the retreat in stock prices culminated on Wednesday, following the release of the higher-than-anticipated Consumer Price Index (CPI) report.

Stocks managed to claw back some of the week's losses with a Thursday-Friday rebound, sparked by investors doing some bargain hunting.

CONSUMER PRICES SPIKE

Wednesday's release of April's CPI inflamed investors' inflation fears, as consumer prices rose 0.8% in April and jumped by 4.2% year-over-year. These numbers were above expectations.⁴

April price increases were led by a remarkable 10% increase in used cars, with additional pockets of sharp increases, notably in transportation services and commodities. Perhaps equally concerning is that energy costs showed a decline during April, a price weakness that may reverse in the coming months.⁵

Core inflation, which excludes the more volatile food and energy prices, was up a more modest 3.0% from April 2020.⁶

TIP OF THE WEEK



If you are going to buy new appliances, computers, or TVs this year, you may not want to buy on price. Buying on reliability (after doing some research per brand) may end up saving you money in the long run.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Housing Starts.

Wednesday: FOMC (Federal Open Market Committee) Minutes.

Thursday: Jobless Claims. Index of Leading Economic Indicators.

Friday: Existing Home Sales. PMI (Purchasing Managers Index) Composite Flash.

Source: Econoday, May 14, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Tuesday: Walmart (WMT), The Home Depot (HD).

Wednesday: Cisco Systems (CSCO), Target (TGT), Lowes (LOW), JD.com (JD), The TJX Companies (TJX), Deere & Company (DE).

Thursday: Kohl's Corporation (KSS), Ross Stores, Inc. (ROST), L Brands, Inc. (LB).

Source: Zacks, May 14, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold,

investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



“Appreciation is a wonderful thing. It makes what is excellent in others belong to us as well.”

VOLTAIRE

Market Index	Close	Week	Y-T-D
DJIA	34,382.13	-1.14%	+12.34%
NASDAQ	13,429.98	-2.34%	+4.20%
MSCI-EAFE	2,254.21	-3.02%	+4.97%
S&P 500	4,173.85	-1.39%	+11.12%



Treasury	Close	Week	Y-T-D
10-Year Note	1.63%	+0.03%	+0.70%

Sources: The Wall Street Journal, May 14, 2021; Treasury.gov, May 14, 2021

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, May 7, to Friday, May 14, close. Weekly performance for the MSCI-EAFE is measured from Friday, May 7, open to Thursday, May 13, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



A girl has as many brothers as sisters, but each brother has only half as many brothers as sisters. How many brothers and sisters are there in the family?

LAST WEEK'S RIDDLE: I'm tall when I'm young and short when I'm old. What am I?

ANSWER: A candle.

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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, May 14, 2021
2. The Wall Street Journal, May 14, 2021
3. The Wall Street Journal, May 14, 2021
4. CNBC, May 12, 2021
5. U.S. Bureau of Labor Statistics, May 12, 2021
6. U.S. Bureau of Labor Statistics, May 12, 2021