

# Market Commentary

*For the week of October 18th, 2021*

## The Markets

Returns Through 10/15/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	1.58	16.98	26.23	14.32	16.88
NASDAQ Composite (PR)	2.18	16.18	28.04	27.24	24.59
S&P 500 (TR)	1.84	20.40	30.27	19.71	18.16
Barclays US Agg Bond (TR)	0.33	-1.72	-1.09	5.52	3.05
MSCI EAFE (TR)	2.42	10.44	27.08	10.69	9.71

## 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%.

Data Obtained from Bloomberg as of 10/15/2021



## Economic Review

- 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

- 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 mortgagebacked securities. With the removal of this support by the Fed there is a possibility of rates moving higher.



## 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).  
(source: Federal Reserve). Reprinted with permission from BTN. Copyright © 2021 Michael A. Higley.

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