

# Market Commentary

*For the week of July 5, 2021*

## The Markets

Returns Through 7/2/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	1.06	14.76	37.37	15.28	16.83
NASDAQ Composite (PR)	1.96	13.98	44.44	25.78	25.94
S&P 500 (TR)	1.71	16.75	41.23	19.05	17.90
Barclays US Agg Bond (TR)	0.54	-1.48	-0.33	5.42	3.01
MSCI EAFE (TR)	-1.10	9.34	30.94	8.97	10.21

## Observations

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +1.71% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index fell -1.18% on the week.
- International stocks as measured by the MSCI EAFE were negative on the week, down -1.10%, underperforming domestic stocks.
- Emerging market stocks were also negative on the week with the MSCI EM index down -1.65%.
- U.S. investment grade bonds were positive last week with the Bloomberg Barclays U.S. Aggregate Bond index up +0.54%.

Data Obtained from Bloomberg as of 7/02/2021



## Economic Review

- Initial Jobless claims came in at a pandemic low, falling to 364,000, beating expectations of 390,000.
- Non-farm payrolls increased 850,000 for the month of June, ahead of the consensus expectations of 700,000.
- ISM Manufacturing index fell slightly to 60.6 in June, behind consensus expectations of an increase to 60.9 (a number over 50 signals expansion, and under 50 signals contraction).
- The unemployment rate rose to 5.9% from 5.8% in May missing the estimate of a decrease to 5.7%.
- Consumer Confidence Index rose to 127.3 in June, up sharply from the revised reading of 120 in May.

**INSIGHT:**As the United States continues its path to recovery, a major roadblock on that path is the performance of the labor market. In the month of June, three major economic data points surrounding the labor market had significant estimate beats. As the economy moves forward, continued improvement in the labor market will be a key indicator for the strength of the recovery. While it was a decline, the ISM Manufacturing index still stands comfortably above 50, a good indicator that the economy is in the expansion stage. However, price pressures have continued to show up at the manufacturer level, as the prices paid for raw materials reached its highest level since 1979. This should not come as a shock due to the release of pent-up demand as the U.S emerges from the pandemic, coupled with supply constraints that are typical of an economy coming out of a recession. Lastly, the Consumer Confidence Index reached its highest point since the onset of the pandemic. The bounce back in optimism from the consumer has been led by the expectation that personal business and financial situations will continue to improve moving forward.

## A Look Forward

- Initial jobless claims will be released on Tuesday, with expectations of a decrease in claims to 350,000, down from the prior reading of 365,000.
- The ISM Services Index will also be released on Tuesday with economists expecting a pull back from the prior months reading of 64 to 63.6.
- Continuing jobless claims will be released on Thursday and is forecasted to decline to 3.325 million from 3.469 million.
- The JOLTS job openings data will be released on Wednesday and is expected to increase to 9.388 million from the prior reading of 9.286 million.

**INSIGHT:**Initial Jobless claims data is expected to continue its trend downward, as economists anticipate that the economy will continue to improve as more states reopen their economies. Despite the largely positive outlook for the U.S economy, the ISM Services Index is expected to retreat slightly from the prior months reading. This is indicative that consumer concerns regarding Covid-19 may still be present, though much less pervasive as the data continues to be strong. Continuing jobless claims is forecasted to decline following the roll back of some unemployment benefits, which may act as a catalyst for people to head back to work.

Data Obtained from Bloomberg as of 7/02/2021

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## Fun Facts

**AIR QUALITY:** The lockdown of economies around the world beginning in March 2020 reduced auto, truck and airplane emissions. 84% of nations surveyed reported improvement in their overall air quality in 2020 when compared to 2019. Nitrogen dioxide, the gas released in the air from the burning of fuel, declined 26% in the USA during 2020 when compared 2019's level (source: IQAir's 2020 World Air Quality Report, ScienceDirect).

**TRAVEL:** When travel for vacations slowed in the summer of 2020, rental car companies sold off more than 500,000 rental cars just to survive, leading to a shortage of rental cars and higher prices in 2021 (source: CNN).

**FEWER BABIES:** In spite of being on lockdown with our spouses/partners, the number of US births fell in 2020 to 3.60 million births, the 12th declining year of births in the last 13 years (source: CDC).

**AT THE POOL:** American cities do not have enough lifeguards to service pools nationwide, e.g., Austin, TX is short 80% of its 750-lifeguard goal for the summer of 2021. The pandemic shutdown put a freeze on training and certification programs required for lifeguards (source: American Lifeguard Association).

**NO ZOOM FOR ME:** 40% of teachers with 21-30 years of experience said they were considering early retirement or quitting the profession completely (source: National Education Association, August 2020).

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