

Market Commentary

For the week of August 30th, 2021

The Markets

Returns Through 8/27/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.98	17.26	26.85	13.31	16.66
NASDAQ Composite (PR)	2.82	17.90	31.05	24.72	24.96
S&P 500 (TR)	1.54	21.20	31.38	18.03	17.98
Barclays US Agg Bond (TR)	-0.05	-0.70	0.21	5.42	3.17
MSCI EAFE (TR)	1.86	11.24	26.29	8.63	9.44

Observations

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +1.54% on the week.
- In the U.S., smaller sized companies outperformed their larger-sized counterparts, as the Russell 2000 index increased +5.06% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +1.86%, outperforming domestic stocks.
- Emerging market stocks were positive on the week with the MSCI EM index up +4.28%.
- U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -0.05%.

Data Obtained from Bloomberg as of 8/27/2021



Economic Review

- Existing Home Sales showed a month-over-month increase of +2.0% for the month of July, beating economists' forecasts of a -0.5% decrease.
- The second reading of Gross Domestic Product (GDP) for Q2 was revised up to 6.6% annualized from the prior reading of 6.5%.
- Personal Income and Spending increased by +1.1% and +0.3% in July, respectively.
- Personal Consumption Expenditure (PCE) showed a month-over-month increase of +0.4% and a year-over-year increase of +4.2% in July

INSIGHT: Economic data released this week came in stronger than expected in areas such as existing home sales and personal income, both of which saw increases over their prior readings and beat economists' forecasts. Existing home sales saw an increase of +2.0% despite the appreciation of home prices, which was expected to act as a headwind leading to a decrease in sales. Personal income saw a similar surprise to the upside, increasing at a rate higher than expected despite the roll back of unemployment benefits. Despite this increase in personal income, personal spending came in weaker than forecasted, as the delta variant continues to spark concerns among consumers and potentially acting as an inhibitor to consumer spending. PCE, one of the Federal Reserve's preferred measures of inflation, was in line with forecasts, with a month-over-month increase of +0.4%. However, PCE increased year-over-year by +4.2%, slightly higher than what was expected and shows a continuation of inflationary pressures.

A Look Forward

- Confidence Board's Consumer Confidence reading will be released on Tuesday, with economists' calling for a decrease from the prior months reading to 123.0.
- The ISM Manufacturing Index will be released on Wednesday and is projected to remain at 61.2.
- Nonfarm payrolls will be released on Friday, with economists' calling for an increase of 750,000 jobs and the unemployment rate to decrease to 5.2%.

INSIGHT: Following the surprising weakness of consumer sentiment displayed in the Michigan Consumer Sentiment reading released earlier this month, the Conference Boards' Consumer Confidence reading will provide some further insight into changes in consumer behavior following the rapid spread of the Delta Variant. U.S. manufacturing, as measured by the ISM Manufacturing survey, is expected to be unchanged from its prior reading, leaving it firmly in expansion territory. Friday will provide some key insights into the health of the economic recovery in the U.S. following the emergence of the delta variant, with the release of nonfarm payrolls and the unemployment rate.



BY THE NUMBERS

BULL RACES ON - From its 3/23/20 closing price through the end of trading last Friday 8/27/21, the S&P 500 has gained +106.3% (total return) and set 72 all-time closing highs. 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).

CONSECUTIVE BEARS - Over the last 75 years, the shortest time period between the end of one bear market for stocks and the beginning of another bear market for stocks is 26 months. The S&P 500 fell 22% during a bear market that ended on 10/07/66. The next bear market for the stock market, an 18-month long tumble of 36% began its downward slide on 11/29/68. The latest bear market for stocks, a decline of 34% over just 33 days, ended on 3/23/20 or 17 months ago (source: BTN Research).

BRAND NEW HOMES - The median sales price of a new home sold in the USA in June 2021 was \$390,500, an all time record high both on a nominal basis and on an inflation-adjusted basis. The old nominal record was \$374,400 in April 2021. The old inflation-adjusted record was \$345,800 in May 2017, equal to \$383,898 in today's dollars (source: Census Bureau).

IN A WEEK - An estimated 7.5 million out-of-work Americans will stop receiving federal unemployment insurance benefits a week from today (Monday 9/06/21). The group will lose the \$300 of weekly benefits that they have been receiving since late December 2020 (source: Pandemic Unemployment Assistance).

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