

Market Commentary

For the week of August 9th, 2021

The Markets

Returns Through 8/06/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.79	16.22	31.09	13.88	16.33
NASDAQ Composite (PR)	1.14	15.56	34.53	24.76	24.47
S&P 500 (TR)	0.96	19.12	34.53	1804	17.46
Barclays US Agg Bond (TR)	-0.42	-0.92	-1.29	5.51	3.15
MSCI EAFE (TR)	1.05	10.80	28.65	8.59	9.88

Observations

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +0.96% on the week.
- In the U.S., smaller sized companies outperformed their larger-sized counterparts, as the Russell 2000 index increased +0.98% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +1.05%, outperforming domestic stocks.
- Emerging market stocks were positive on the week with the MSCI EM index up +1.18%.
- U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -0.42%.

Data Obtained from Bloomberg as of 8/06/2021



Economic Review

- The ISM Manufacturing Index came in slightly higher than analysts' forecasts with a reading of 63.4 versus expectations of 63.1
- The ISM Services Index came in above economists' forecasts with a reading of 64.1 versus expectations of 60.5
- Nonfarm Payrolls increased by 943,000 jobs in July, well ahead of the expected increase of 845,000 jobs
- The unemployment rate decreased from 5.9% to 5.4% in the month of July

INSIGHT:The ISM Manufacturing Index beat estimates and points to the continued strength of U.S. manufacturing, even as businesses deal with various supply chain bottlenecks. New orders rose, indicating that businesses expect demand for products will continue to be strong as we head into the third quarter. The ISM Services Index surged to its highest level on record, speaking to the strength and resolve of U.S. consumers despite concerns over the Delta variant. Despite a concerning ADP reading earlier in the week, Nonfarm Payrolls showed robust job gains for the month of July. The Bureau of Labor Statistics also revised the gain for May by 31,000 and increased June's reading by 88,000. The unemployment rate ticked down to 5.4%, beating economists' forecasts of 5.7%. The most notable increase came in the leisure and hospitality industry, where 380,000 jobs were added alone, bringing the unemployment rate in that industry down to 9.0% from 10.9%.

A Look Forward

- The Job Openings and Labor Turnover Survey (JOLTS) will be released on Monday, with expectations of 9.27 million open jobs
- The Consumer Price Index (CPI) will be released on Tuesday, with economists' expecting the month-over-month reading to come in at 0.5% and the year-over-year reading to come in at 5.3%
- The Producer Price Index (PPI) will be released on Wednesday, with economists' expecting the month-over-month reading to come in at 0.6% and the year-over-year reading to come in at 7.1%
- The University of Michigan Consumer Sentiment Index will be released on Friday, with economists' expecting a reading of 81.2

INSIGHT:With inflation expected to continue to trend higher and a strong jobs number released last Friday, the tapering conversation has begun to intensify. Although the Federal reserve has remained steadfast on its current policy stance, there may now be more pressure on the Fed to act. In addition to keeping short term rates near zero, the Fed has also aided the economy in trying to keep long term rates low by purchasing \$120 billion in treasury securities per month. The Fed has stated that they will not raise rates until the bond purchasing program is over, however, if inflation and jobs data continue to be stronger than expected that timeline may need to be moved forward.



BY THE NUMBERS

THEY MAY NEVER STOP - The Federal Reserve has been buying \$120 billion of federal debt per month since mid-March 2020, resulting in our nation's central bank buying 76% of all the federal debt that has been issued during the pandemic (source: Federal Reserve).

BEING CAUTIOUS - The personal savings rate in the US was a record 33.8% in April 2020 as Americans reacted to the COVID-19 pandemic outbreak. The personal savings rate in the US was 9.4% in June 2021. Before the pandemic, the personal savings rate was above 10% just 1 month since 1993. The personal savings rate is defined as "savings" (i.e., after-tax income less consumption spending) divided by after-tax income (source: Department of Commerce).

LOSING GROUND - Wages and salaries of all "civilian workers," defined as workers in the private sector along with workers for state and local governments (but not federal government workers), increased by +3.2% on a year-over-year basis as of 6/30/21. Inflation, as measured by the "Consumer Price Index" (CPI), was up +5.4% over the same 12-month period (source: Bureau of Labor Statistics).

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Mark Temperato, CLU, ChFC, RICP
Wealth Management Advisor/Partner
580 Fishers Station Rd. Victor, NY 14564
Office: 585-466-3275
Cell: 585-356-9658
MTemperato@DashCapitalAdvisors.com



Matt Piaseczny, ChFC, RICP
Wealth Management Advisor/Partner
580 Fishers Station Rd. Victor, NY 14564
Office: 585-466-3270
Cell: 585-451-4028
MPiaseczny@DashCapitalAdvisors.com

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