

Market Commentary

For the week of August 16th, 2021

The Markets

Returns Through 8/13/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	0.94	17.31	29.75	14.66	16.47
NASDAQ Composite (PR)	-0.07	15.47	35.19	24.92	24.39
S&P 500 (TR)	0.75	20.02	34.48	18.71	17.61
Barclays US Agg Bond (TR)	0.11	-0.82	-0.27	5.48	3.08
MSCI EAFE (TR)	1.56	12.53	27.14	9.89	9.61

Observations

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +0.75% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index decreased -1.06% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +1.56%, outperforming domestic stocks.
- Emerging market stocks were negative on the week with the MSCI EM index down -0.85%.
- U.S. investment grade bonds were positive last week with the Bloomberg Barclays U.S. Aggregate Bond index up +0.11%.

Data Obtained from Bloomberg as of 8/13/2021



Economic Review

- The Job Openings and Labor Turnover Survey (JOLTS) exceeded expectations in June, adding 590k openings from the previous month, and is now at a record high of 10.073 million openings
- The Consumer Price Index (CPI) was in line with economists' expectations in July, as the month-over-month reading came in at 0.5% and the year-over-year reading came in at 5.4%
- The Producer Price Index (PPI) came in above expectations in July, with the month-over-month reading coming in at 1.0% compared to an estimated increase of 0.6% o Producer prices are up 7.8% year-over-year in July, up from 7.3% in June
- The University of Michigan Consumer Sentiment Index was well below consensus, with the preliminary reading for August coming in at 70.2 versus expectations of 81.2

INSIGHT:The labor market continues to surprise, as there are now more job openings than those who are unemployed. As children go back to school as the summer ends, and unemployment benefits expire, there could be significant improvement in employment in the coming months. In addition, while inflation data was mixed this week, price pressures remain elevated. While the Fed has remained steadfast on its intentions to hold rates steady and hold off on tapering, recent data suggests a change in policy may need to come sooner rather than later. As producer's prices increase, they may pass these increases through to the consumer through the final product. Lastly, consumer sentiment was well below expectations, reaching its lowest levels since the pandemic began. This decrease can be attributed to the uncertainty of the Delta Variant and how it may impact the future of the economy.

A Look Forward

- Retail Sales will be released on Tuesday, with economists' forecasting a decrease of -0.2% for the month of July
- Building Permits will be released on Thursday, with economists' calling for an increase of 1.0%
- Housing starts will also be released on Thursday, with an expected decrease of -2.3% from the prior reading

INSIGHT:As new cases continue to surge as a result of the delta variant and inflation remains a concern, consumer confidence has dipped, but retail sales for the month of July will provide some insight into the health of the consumer. Economists' have forecasted a contraction in sales for the month of July, which can be expected as retail sales tend to decline during the summer. Additionally, housing market data is expected to be mixed this week, with building permits expected to come in stronger for the month of July, while housing starts are expected to decrease.



BY THE NUMBERS

AT LEAST TEN - The S&P 500 is up +20.0% YTD (total return) through the close of trading last Friday 8/13/21. The index has produced a “double-digit” total return gain in 7 of the last 10 years (2011-2020). 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).

WORLD'S BIGGEST - The size of the US economy was \$22.7 trillion as of 6/30/21. 10 years ago (6/30/11), the size of the US economy was \$15.6 trillion. 20 years ago (6/30/01), the size of the US economy was \$10.6 trillion. 30 years ago (6/30/91), the size of the US economy was \$6.1 trillion (source: Bureau of Economic Analysis).

A LOT OF HELP WANTED - American employers had 10.1 million job openings as of 6/30/21, an all-time record for an employment statistic that has been tracked by our government since December 2000. Domestic employers had 6.9 million job openings as of 2/29/20 at the beginning of the global pandemic (source: Department of Labor).

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