

In this week's recap: Stocks retreat as inflation advances.



Weekly Economic Update

July 19, 2021

THE WEEK ON WALL STREET

Despite a good start to earnings season and some solid economic data, worries of slower second-half economic growth led to a pullback in stock prices last week.

The Dow Jones Industrial Average fell 0.52%, while the Standard & Poor's 500 lost 0.97%. The Nasdaq Composite index sank 1.87% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, was flat (-0.06 %).^{1,2,3}

STOCKS RETREAT

Stocks weakened amid an active week of news, including two important inflation reports, Congressional testimony from Fed Chair Jerome Powell, a string of economic reports, and the start of the second-quarter earnings season.

The earnings season began on a strong note as 95% of the first S&P 500 constituent companies to report checked in with "earnings above estimates" by an average of 22%. Despite these above-expectation earnings, stocks moved little on the results.⁴

Bond yields continued to trend lower amid Powell's testimony that monetary policy would remain unchanged. A decline in consumer sentiment fed worries of economic slowdown, leading stock lower and cementing losses for the week.

HOT INFLATION

The Consumer Price Index (CPI) jumped 5.4% in June, representing the biggest monthly gain since August 2008. The core CPI, which excludes food and energy, increased 4.5%, which was the fastest pace since September 1991.⁵

The CPI report was followed by the Producer Price Index, which surged 7.3% from a year earlier, outpacing May's jump of 6.6%. Higher wholesale prices were primarily attributed to increased commodity prices and labor costs.⁶

Fed Chair Powell, in Congressional testimony subsequent to these reports, reiterated his position that the accelerated inflation of recent months will be temporary.

TIP OF THE WEEK



Statistically, women outlive men. If a woman has a male partner or spouse, her retirement strategy should reflect that possibility.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Housing Starts.

Thursday: Jobless Claims. Existing Home Sales. Index of Leading Economic Indicators.

Friday: Purchasing Managers Index (PMI) Composite Flash.

Source: Econoday, July 16, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: International Business Machines (IBM), J.B. Hunt Transport Services, Inc. (JBHT), Prologis, Inc. (PLD).

Tuesday: Netflix (NFLX), HCA Healthcare (HCA), Chipotle Mexican Grill, Inc. (CMG).

Wednesday: Verizon (VZ), Johnson & Johnson (JNJ), The Coca-Cola Company (KO), United Airlines (UAL), Texas Instruments, Inc. (TXN), CSX Corporation (CSX), Novartis, AG (NVS).

Thursday: AT&T (T), Intel Corporation (INTC), Twitter, Inc. (TWTR), Snap, Inc. (SNAP), Abbott Laboratories (ABT), American Airlines (AAL), Southwest Airlines (LUV), Union Pacific (UNP), FreeportMcMoran (FCX), D.R. Horton, Inc. (DHI).

Friday: American Express (AXP), Honeywell International (HON), NextEra Energy (NEE), KimberlyClark Corporation (KMB).

Source: Zacks, July 16, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

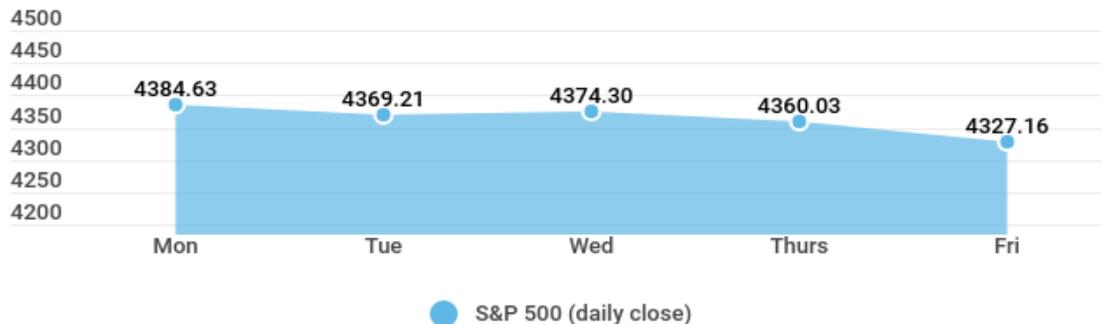
QUOTE OF THE WEEK



“Time is the only critic without ambition.”

JOHN STEINBECK

Market Index	Close	Week	Y-T-D
DJIA	34,687.85	-0.52%	+13.33%
NASDAQ	14,427.24	-1.87%	+11.94%
MSCI-EAFE	2,311.97	-0.06%	+7.66%
S&P 500	4,327.16	-0.97%	+15.20%



Treasury	Close	Week	Y-T-D
10-Year Note	1.31%	-0.06%	+0.38%

Sources: The Wall Street Journal, July 16, 2021; Treasury.gov, July 16, 2021
 Weekly performance for the Dow Jones Industrial Average, Standard & Poor’s 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, July 9, to Friday, July 16, close. Weekly performance for the MSCI-EAFE is measured from Friday, July 9, open to Thursday, July 15, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



If you were running a race, and you passed the person in 2nd place, what place would you be in now?

LAST WEEK'S RIDDLE: It can be as round as a dishpan, as deep as a tub, and still the oceans couldn't fill it up. What is it?

ANSWER: A sieve.

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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, July 16, 2021
2. The Wall Street Journal, July 16, 2021
3. The Wall Street Journal, July 16, 2021
4. Earnings Scout, July 15, 2021
5. CNBC, July 13, 2021
6. Reuters, July 14, 2021