

*In this week's recap: Stalemate in the Capitol; Powell says inflation may stay longer than expected.*

# Weekly Economic Update

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*Presented by Mary Ahearn, CFP®, October 04, 2021*

## THE WEEK ON WALL STREET

Higher bond yields and a legislative stalemate in Washington, D.C., added up to losses for the week.

The Dow Jones Industrial Average declined 1.36%, while the Standard & Poor's 500 lost 2.21%. The Nasdaq Composite index fell 3.20%. The MSCI EAFE index, which tracks developed overseas stock markets, shed 2.58%.<sup>1,2,3</sup>

## AN UGLY WEEK

The reality of a more hawkish Fed finally hit the bond market, sparking a sell-off in bonds that sent yields higher. Higher yields hurt technology and other high-growth companies, and that weakness spread to the broader market. (Higher yields can reduce the value of a company's future cash flow, which may reset valuations.)

Congress added to the market uncertainty. It was unable to advance an infrastructure bill, and it made little progress on the debt-ceiling agreement. After a sell-off to close out September, stocks surged on Friday on news of a potential Covid-19 oral therapeutic, an easing of yields, and reports that President Biden was traveling to Capitol Hill to help break the logjam on legislation.

## POWELL IN THE NEWS

Fed Chair Jerome Powell was at the center of two news developments last week. The first was the announcement by a prominent senator opposing Powell's renomination, heightening market uncertainty over the leadership transition when his term expires in February 2022.<sup>4</sup>

Powell later made comments at a European Central Bank event, admitting that the current bout of inflation may last longer than he and many other central bankers have previously expected. But he remained steadfast that inflation would be transitory, attributing much of today's price

pressures to temporary supply bottlenecks. Powell also said that he saw little evidence of building inflationary expectations from consumers or businesses.<sup>5</sup>

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#### TIP OF THE WEEK



*Some people open a retirement account only to “set it and forget it,” leaving the asset allocation unchanged for years. As you get older, be sure to review your allocation choices in light of your risk tolerance and time horizon.*

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#### THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** ISM (Institute for Supply Management) Services Index.

**Wednesday:** ADP (Automated Data Processing) Employment Report.

**Thursday:** Jobless Claims.

**Friday:** Employment Situation.

Source: Econoday, October 1, 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

**Tuesday:** PepsiCo, Inc. (PEP).

**Wednesday:** Constellation Brands (STZ).

**Thursday:** Conagra Brands (CAG).

Source: Zacks, October 1, 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.

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QUOTE OF THE WEEK

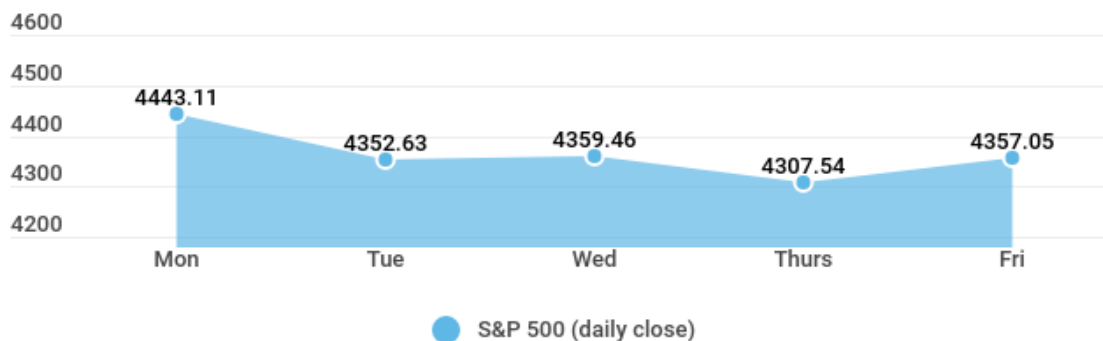


*“In a gentle way, you can shake the world.”*

*MAHATMA GANDHI*

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Market Index	Close	Week	Y-T-D
DJIA	34,326.46	-1.36%	+12.15%
NASDAQ	14,566.70	-3.20%	+13.02%
MSCI-EAFE	2,281.29	-2.58%	+6.23%
S&P 500	4,357.04	-2.21%	+16.00%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.48%	+0.01%	+0.55%

Sources: The Wall Street Journal, October 1, 2021; Treasury.gov, October 1, 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, September 24, to Friday, October 1, close. Weekly performance for the MSCI-EAFE is measured from Friday, September 24, open to Thursday, September 30, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

## THE WEEKLY RIDDLE



*How is seven different from the rest of the numbers between one and ten?*

*LAST WEEK'S RIDDLE: What can you hold in your right hand, but never in your left hand?*

*ANSWER: Your left hand.*

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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.

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CITATIONS:

1. The Wall Street Journal, October 1, 2021
2. The Wall Street Journal, October 1, 2021
3. The Wall Street Journal, October 1, 2021
4. CNBC.com, September 28, 2021
5. APNews.com, September 29, 2021