Weekly Update
Stocks Catch a Cold from Rising Rates
March 5, 2021

SEI New ways. New answers.®

The Economy

- Optimism in U.S. equity markets tumbled during the week ending March 5 as the rise of government-bond yields (which rise as bond prices fall) that began slowly last fall continued to accelerate. Federal Reserve Chairman Jerome Powell exacerbated fears about the recent rise in yields by conveying a wait-and-see approach.
- The U.S. economy added 379,000 jobs in February, significantly exceeding forecasts. This suggested recovery in the labor market as a handful of states removed social-distancing restrictions and individuals received COVID-19 vaccinations at a faster rate. Jobs growth is expected to strengthen further on the potential for additional government stimulus measures.
- Manufacturing activity in the U.S. remained well into expansion territory during February, as measured by Markit manufacturing purchasing managers' index (PMI), despite slowing from 59.2 to 58.6 on pandemic-related challenges to supply chains. Conversely, The Institute for Supply Management (ISM) reported growth in manufacturing activity from 58.7 to 60.8 in February.
- Construction spending climbed by 1.7% in January, the eighth consecutive monthly gain. Residential expenditures increased by 2.5% during the period, while spending on nonresidential construction improved by 0.4%. Strong demand for new housing is expected to continue to bolster residential construction activity.
- U.S. services activity fell from a two-year high in February, as measured by ISM's nonmanufacturing PMI, which eased from 58.7 to 55.3 for the month. Still, it was the ninth consecutive month of growth for the services sector as many companies added workers and increased orders for materials despite the pandemic.
- The U.S. Census Bureau reported a 2.6% gain in new factory orders for January, suggesting ongoing progress for manufacturers notwithstanding a resurgence in COVID-19 infection rates.
- Motor-vehicle sales in the U.S. expanded by 15.7 million in February as lower-interest loans fueled new-car demand.
- Initial jobless claims remained near historic highs during the week ending February 27, increasing by 9,000 to 745,000 on business restrictions intended to curb the spread of COVID-19. Warmer weather and a broader vaccine-distribution plan is expected to encourage consumer spending and promote job growth later in the spring.
- Mortgage-purchase applications increased by 2.0% for the week ending February 26. In the same period, refinancing applications inched higher by 0.1%, and the average interest rate on a 30-year fixed-rate mortgage moved up from 2.97% to 3.02%.
- The eurozone's manufacturing PMI advanced from 54.8 in January to 57.9 in February. Conditions for manufacturing improved during the period, which contributed to broad-based gains. Meanwhile, retail sales in the eurozone plummeted by 5.9% in January due to a staggering increase in COVID-19 infections across Europe that led to tighter government-mandated business restrictions.

Stocks

- Global equity markets closed lower for the week. Developed markets led emerging markets.
- U.S. equities were in positive territory. Energy and financials were the top performers, while information technology and consumer discretionary lagged. Value stocks led growth, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved higher to 1.56%. Global bond markets were in negative territory this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of March 5, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.6%	1.1%	24.3%	653.4
MSCI EAFE ($)	0.8%	1.8%	17.7%	2185.4
MSCI Emerging Mkts ($)	0.5%	4.3%	29.5%	1346.3
U.S. & Canadian Equities				
Dow Jones Industrials ($)	1.8%	2.9%	20.6%	31494.3
S&P 500 ($)	0.9%	2.4%	27.1%	3844.4
NASDAQ ($)	-2.1%	0.2%	47.9%	12920.1
S&P/ TSX Composite (C$)	1.8%	5.4%	11.0%	18379.8
U.K. & European Equities				
FTSE All-Share (£)	1.9%	2.7%	1.1%	3771.7
MSCI Europe ex UK (€)	1.5%	2.9%	10.7%	1475.4
Asian Equities				
Topix (¥)	1.7%	5.1%	25.1%	1896.2
Hong Kong Hang Seng ($)	0.4%	6.9%	8.7%	29098.3
MSCI Asia Pac. Ex-Japan ($)	0.5%	5.3%	32.3%	697.3
Latin American Equities				
MSCI EMF Latin America ($)	2.5%	-7.5%	-4.4%	2268.9
Mexican Bolsa (peso)	3.7%	5.0%	9.3%	46263.7
Brazilian Bovespa (real)	4.7%	-3.2%	12.7%	115216.0
Commodities ($)				
West Texas Intermediate Spot	7.5%	36.2%	44.0%	66.1
Gold Spot Price	-1.4%	-10.1%	2.1%	1702.9
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	-0.5%	-3.0%	2.5%	541.7
JPMorgan Emerging Mkt Bond	-0.1%	-3.8%	-0.9%	898.0
10-Year Yield Change (basis points*)				
US Treasury	15	64	64	1.56%
UK Gilt	-6	56	43	0.75%
German Bund	-4	27	39	-0.30%
Japan Govt Bond	-7	8	21	0.10%
Canada Govt Bond	14	82	66	1.50%
Currency Returns**				
US$ per euro	-1.3%	-2.5%	6.0%	1.192
Yen per US$	1.7%	4.9%	2.1%	108.36
US$ per £	-0.6%	1.3%	6.9%	1.384
C$ per US$	-0.6%	-0.5%	-5.6%	1.266

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. There are risks involved with investing, including possible loss of principal. SIMC is a wholly-owned subsidiary of SEI Investments Company.