Weekly Update
Stocks Falter on Fed Outlook
June 18, 2021

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The Economy

- U.S. equity markets retreated during the week ending June 18 due to an updated outlook by the Federal Reserve (Fed) concerning inflation and the U.S. economic recovery. The central bank's comments were perceived as less accommodative—expectations for future rate hikes as soon as 2023 and the eventual tapering of the Fed's asset-purchasing program weighed on U.S. stock market sentiment.
- Industrial production improved by 0.8% in May, primarily within utilities and mines. Greater-than-expected output of automobiles also boosted overall production. Overall capacity utilization (the percentage of resources used to produce goods in manufacturing, mining, and electric and gas utilities for all U.S. facilities) gained by 0.6% to 75.2%.
- U.S. economic health advanced by 1.3% in May (as measured by the Conference Board's leading economic index, a composite of 10 forward-looking components) and is expected to continue strengthening during the second half of 2021 due to higher COVID-19 vaccination rates and pent-up consumer demand. A leading indicator is an economic factor that shifts before the rest of the economy begins to move in a particular direction.
- Producer prices moved higher by 0.8% in May (as measured by the Department of Labor's producer-price index, which tracks the average change in prices that producers receive for goods and services). This reading points to rising inflation as the U.S. economy strengthens further amid easing lockdown restrictions and climbing demand for goods and services.
- Retail sales tumbled by 1.3% in May after surging by 9.8% in March. Many U.S. households received $1,400 stimulus checks under the American Rescue Plan Act of 2021, which boosted consumer spending in March but caused sales to stall in May.
- The outlook for single-family homes remained solid in June, according to the National Association of Home Builders/Wells Fargo Housing Market Index. However, supply shortages and growing demand for lumber may present housing-market challenges in the coming months.
- Total import prices rose by 1.1% in May due to higher energy prices and a weaker U.S. dollar. Prices have continued to rally from early-pandemic declines as a result of supply-chain disruptions and key-materials shortages. Export prices grew by 2.2% during the month on increasing agricultural and nonagricultural costs. Both import and export prices have benefited from swelling demand as the global economy recovers from the pandemic.
- The rate of initial jobless claims during the week ending June 12 widened to 412,000 from 375,000 in the previous week, a new low since the pandemic began. Continuing claims increased by 30,000 to 3.52 million during the week ending June 5, hovering near the lowest level since the beginning of the pandemic.
- Mortgage-purchase applications increased by a modest 2.0% for the week ending June 11. In the same period, refinancing applications surged by 6.0%. The average interest rate on a 30-year fixed-rate mortgage slipped from 2.96% to 2.93%.

Stocks

- Global equities closed lower during the week. Developed markets led emerging markets.
- U.S. equities were in negative territory. Information technology and consumer discretionary were the top performers, while materials and financials lagged. Growth stocks led value stock and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield slipped to 1.44%. Global bond markets were in negative territory this week. Global high-yield led, followed by global corporates and global government bonds.

The Numbers as of June 18, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.6%	10.6%	35.4%	714.9
MSCI EAFE ($)	-0.6%	9.4%	30.5%	2350.3
MSCI Emerging Mkts ($)	-1.4%	5.5%	36.9%	1362.9
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-3.4%	8.8%	27.6%	33290.1
S&P 500 ($)	-1.6%	11.3%	34.2%	4179.6
NASDAQ ($)	-0.3%	8.9%	41.1%	14030.4
S&P/ TSX Composite (C$)	-0.4%	15.1%	29.6%	20067.2
U.K. & European Equities				
FTSE All-Share (£)	-1.6%	8.9%	16.0%	4002.1
MSCI Europe ex UK (€)	0.6%	15.3%	27.7%	1653.1
Asian Equities				
Topix (¥)	-0.4%	7.9%	23.0%	1946.6
Hong Kong Hang Seng ($)	-0.1%	5.8%	17.7%	28801.3
MSCI Asia Pac. Ex-Japan ($)	-1.2%	5.2%	36.2%	696.4
Latin American Equities				
MSCI EMF Latin America ($)	-1.2%	6.6%	35.7%	2614.3
Mexican Bolsa (peso)	-1.9%	14.2%	33.7%	50314.5
Brazilian Bovespa (real)	-0.9%	7.7%	33.4%	128223.8
Commodities ($)				
West Texas Intermediate Spot	1.0%	47.7%	84.4%	71.6
Gold Spot Price	-5.7%	-6.5%	2.8%	1772.1
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	-0.9%	-3.0%	2.8%	541.7
JPMorgan Emerging Mkt Bond	-0.6%	-1.2%	7.0%	922.9
10-Year Yield Change (basis points*)				
US Treasury	-1	53	73	1.44%
UK Gilt	4	56	53	0.75%
German Bund	7	37	21	-0.20%
Japan Govt Bond	2	4	4	0.06%
Canada Govt Bond	0	69	84	1.37%
Currency Returns**				
US$ per euro	-2.0%	-2.9%	5.9%	1.187
Yen per US$	0.5%	6.7%	3.0%	110.17
US$ per £	-2.1%	1.0%	11.1%	1.381
C$ per US$	2.3%	-2.2%	-8.5%	1.244

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.

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