

# EMERALD

## MARKET VIEW WEEKLY

September 3<sup>rd</sup>, 2021



### ECONOMIC REVIEW<sup>1</sup>

- Nonfarm payrolls missed sharply to the downside for the month of August, coming in at 235,000 jobs added, compared to the estimated gain of 733,000.
- The Conference Board Consumer Confidence Index also missed forecasts; the index fell to 113.9, missing economists' expectations of 123.0.
- The ISM Manufacturing Index increased to 59.9 for the month of August, exceeding the survey estimate of 58.5.

**INSIGHT:** At the Jackson Hole meeting, Chairman Powell hinted at plans to possibly begin to reduce their bond purchasing program by the end of the year due the recent strides the economy has made. However, with the release of the August jobs report, that may no longer be the case. The expectations for added jobs came in well under the estimate and was the lowest increase in the previous seven months. The leisure/hospitality industry, which averaged 350,000 jobs added over the last 6 months, was essentially flat during August. In addition to the sharp miss in jobs, the Conference Board Consumer Confidence Index also fell significantly to a level not seen since February of this year. These two sharp misses point to the uncertainty surrounding the Delta Variant and the continued risk it poses to the economy. The silver lining in this week's data was the rise of the ISM Manufacturing Index, which signals that demand for goods in the country is still strong and may even be growing.



### A LOOK FORWARD<sup>1</sup>

- The Job Openings and Labor Turnover Survey (JOLTS) will be released on Wednesday and is projected to have a slight decrease in the number of available jobs to 10,000,000.
- Initial jobless claims will be released on Thursday and is expected to remain consistent with prior reading of 340,000.
- The Producer Price Index (PPI) will be released on Friday and is expected to increase by 0.6% on a month-over-month basis and 8.2% on a year-over-year basis.

**INSIGHT:** Following the large miss by nonfarm payrolls on Friday, markets will gain some further insight into the labor market with the release of the JOLTS reading and initial jobless claims data. Prospective workers could be forced to move more aggressively in the months ahead as jobless benefits expire this week. Therefore, the next few months should give us a better grasp on the employment picture. With the number of unemployed still elevated and the number of open jobs at record highs, something must give. For the sake of economic activity, we would like to think this means more people returning to work and therefore the number of available jobs falling. Producer prices are expected to jump by 8.2% for August, accelerating from July's 7.8% annual gain. That would mark the fastest year-over-year increase on record for PPI. Year-over-year increases have been inflated due to depressed readings seen during the height of the pandemic, but nonetheless, supply issues continue, which could keep inflationary readings high for the months to come. Persistently high inflation could force the Fed to begin tapering this year.

# MARKET UPDATE

Market Index Returns as of 9/03/21 <sup>1</sup>	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.62%	5.81%	21.95%	33.25%	18.19%	17.99%
NASDAQ	1.57%	6.05%	19.75%	35.02%	24.89%	25.20%
Dow Jones Industrial Average	-0.14%	2.91%	17.10%	27.42%	13.35%	16.48%
Russell Mid-Cap	0.48%	4.04%	20.95%	43.14%	15.84%	15.40%
Russell 2000 (Small Cap)	0.68%	-0.65%	16.77%	49.91%	11.04%	14.35%
MSCI EAFE (International)	1.80%	4.06%	13.24%	28.69%	9.62%	9.73%
MSCI Emerging Markets	3.42%	-3.75%	3.42%	20.98%	10.38%	10.37%
Bloomberg Barclays US Agg Bond	-0.06%	0.86%	-0.76%	-0.66%	5.41%	3.13%
Bloomberg Barclays High Yield Corp.	0.41%	1.09%	4.74%	10.17%	7.18%	6.70%
Bloomberg Barclays Global Agg	0.29%	1.16%	-2.09%	0.67%	4.67%	2.57%



## OBSERVATIONS

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +0.62% on the week.
- In the U.S., smaller sized companies outperformed their larger-sized counterparts, as the Russell 2000 index increased +0.68% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +1.80%, outperforming domestic stocks.
- Emerging market stocks were positive on the week with the MSCI EM index up +3.42%.
- U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -0.06%.



## BY THE NUMBERS

**THROUGH AUGUST** - The S&P 500 was up +21.6% YTD (total return) through 8/31/21. The S&P 500 has gained an average of +10.9% per year (total return) over the last 50 years (i.e., 1971-2020). 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).

**AN AVERAGE, NOT A FORECAST** - September has been the worst performer for the S&P 500 over the last 30 years, i.e., 1991-2020, down 0.2% on average (total return). The month of August is ranked 11th of 12 months over the last 30 years but recorded a S&P 500 gain of +3.0% (total return) last month (source: BTN Research).

**IN THE YEAR 2033** - Social Security trustees announced on 8/31/21 that the trust fund backing the payment of Social Security benefits (OASI retirement benefits) would be zero in 2033. A zero "trust fund" does not mean the payment of Social Security benefits would also go to zero, but rather would drop to 76% of their originally promised levels through the year 2095. When the trustees released their report in 2010 (i.e., 11 years ago), the Social Security Trust Fund was projected to be depleted in 2040 (source: Social Security Trustees 2021 Report).

**LENDERS WANT TO LEND** - 29% of "large" US banks have loosened the lending requirements they utilize to approve loans to corporations and to individuals during the 2nd quarter of 2021. "Large" banks are defined as having total domestic assets of at least \$50 billion (source: Federal Reserve Opinion Survey on Bank Lending Practices).

## *Economic Definitions*

**Initial Jobless Claims:** Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

**Non-farm Payrolls:** This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

**Unemployment Rate:** The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

**The Conference Board Consumer Confidence Index:** The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

**Personal Income:** Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

**Personal Spending:** Consumer or Household Spending (also referred to as consumption) tracks consumer expenditures on goods and services. This concept is not adjusted for inflation.

**PCE (headline and core):** PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

**New Home Sales:** This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of house sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

**University of Michigan Consumer Sentiment Index:** Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

**The Federal Reserve System:** The central bank of the United States. It performs several general functions to promote the effective operation of the U.S. economy and, more generally, the public interest.

## *Index Definitions*

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

## Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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<sup>1</sup> Data obtained from Bloomberg as of 09/03/2021



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