Weekly Update

Bad News for Jobs is Good News for Stocks

May 7, 2021

SEI New ways. New answers.®

The Economy

- The S&P 500 Index (a broad measure of U.S. equity markets) rallied to a record high during the week ending May 7 amid easing pandemic-related restrictions in the U.S. and (perhaps counterintuitively) a disappointing April jobs report that signaled to investors that the Federal Reserve's record-low interest rates and large bond-buying program would likely remain unchanged.
- The U.S. economy added a paltry 266,000 jobs in April, far underwhelming forecasts. The report may indicate a potential future shortage of available workers as employers struggled to fill job positions. However, jobs growth is expected to strengthen in the months ahead on potential additional government stimulus measures and rising economic demand.
- The rate of initial jobless claims finally reversed its stubbornly high trend, dropping by 92,000 to 498,000 during the week ending May 1, suggesting a healing job market that is moving closer to pre-pandemic levels.
- Manufacturing activity in the U.S. pushed further into expansion territory during April, advancing from 59.1 to 60.5, as measured by Markit's manufacturing purchasing managers' index (PMI). A similar report by The Institute for Supply Management (ISM) also showed manufacturing growth in April, albeit at slightly slower rate of 60.7 compared to 64.7 for the prior month. Manufacturing accounts for approximately 11.9% of the U.S. economy.
- The U.S. Census Bureau reported a 1.1% gain in new factory orders for March as stronger domestic demand for U.S.-made goods boosted business spending on equipment. The overall condition for U.S. manufacturing remained favorable, suggesting ongoing progress for manufacturers notwithstanding a resurgence in COVID-19 infection rates.
- Construction spending rebounded in March after February recorded the first monthly decline in nine months, but by a smaller-than-expected 0.2%. Residential expenditures increased by 0.7% during the period, while spending on nonresidential construction deteriorated by 1.1%. Strong demand for new housing is anticipated to bolster residential construction activity in the months ahead.
- Motor vehicle sales gained by a stronger-than-anticipated 18.5 million in April; demand for cars increased as rising COVID-19 vaccination rates encouraged a return to brick-and-mortar stores.
- Markit's U.S. nonmanufacturing PMI showed that services activity during April further expanded to 64.7 from 60.4 in March. ISM's nonmanufacturing PMI reading moderated, easing to 62.7 in April from 63.7 in March. The services sector continued to add workers and increase orders for materials despite the ongoing pandemic.
- Mortgage-purchase applications receded by 3.0% for the week ending April 30. In the same period, refinancing applications inched higher by 0.1%, and the average interest rate on a 30-year fixed-rate mortgage fell from 2.98% to 2.96%. Lower mortgage rates have bolstered the refinancing market in recent weeks.

Stocks

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

Bonds

- The 10-year Treasury bond yield moved lower to 1.57%. Global bond markets were in positive territory this week. Global corporate bonds led, followed by high-yield bonds and global government bonds.

The Numbers as of May 7, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.3%	9.0%	46.1%	704.1
MSCI EAFE ($)	1.2%	6.9%	41.9%	2295.8
MSCI Emerging Mkts ($)	-0.5%	3.8%	49.5%	1340.8
U.S. & Canadian Equities				
Dow Jones Industrials ($)	2.7%	13.6%	45.7%	34777.8
S&P 500 ($)	1.3%	12.8%	47.0%	4235.5
NASDAQ ($)	-1.5%	6.7%	53.1%	13752.2
S&P/ TSX Composite (C$)	1.9%	11.7%	31.3%	19474.5
U.K. & European Equities				
FTSE All-Share (£)	2.1%	10.7%	24.3%	4066.2
MSCI Europe ex UK (€)	0.6%	10.1%	33.2%	1578.2
Asian Equities				
Topix (¥)	1.8%	7.1%	35.5%	1933.1
Hong Kong Hang Seng ($)	-0.4%	5.1%	19.3%	28610.7
MSCI Asia Pac. Ex-Japan ($)	-0.7%	4.4%	48.6%	691.2
Latin American Equities				
MSCI EMF Latin America ($)	3.5%	0.3%	57.3%	2458.8
Mexican Bolsa (peso)	2.6%	11.8%	33.9%	49276.6
Brazilian Bovespa (real)	2.5%	2.4%	56.0%	121856.3
Commodities ($)				
West Texas Intermediate Spot	2.1%	33.8%	175.6%	64.9
Gold Spot Price	3.7%	-3.2%	6.8%	1832.8
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	0.3%	-2.9%	5.1%	542.3
JPMorgan Emerging Mkt Bond	0.4%	-2.5%	13.2%	910.2
10-Year Yield Change (basis points*)				
US Treasury	-6	66	93	1.57%
UK Gilt	-7	58	54	0.77%
German Bund	-1	36	33	-0.22%
Japan Govt Bond	-1	7	8	0.09%
Canada Govt Bond	-5	82	94	1.49%
Currency Returns**				
US$ per euro	1.2%	-0.4%	12.3%	1.217
Yen per US$	-0.6%	5.2%	2.2%	108.62
US$ per £	1.3%	2.4%	13.3%	1.400
C$ per US$	-1.2%	-4.6%	-13.1%	1.214

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.