

Weekly Update

Equities Expand on Earnings Growth

April 16, 2021

The Economy

- U.S. equities registered positive performance during the week ending April 16, largely due to strong corporate earnings and better-than-expected economic data that indicated a sharp rebound in the U.S. economy. The S&P 500 Index (a broad measure of equity markets) set another record during the week.
- Retail sales surged 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. Improving COVID-19 vaccination rates also encouraged a return to brick-and-mortar stores. Consumer spending accounts for about 70% of U.S. economic activity.
- Consumer sentiment jumped from 84.9 in March to a one-year high of 86.5 in April, as measured by the University of Michigan's consumer sentiment survey, amid confidence about vaccination rollout plans and fiscal relief. The expectations component of the survey reflects consumers' six-month outlook for business conditions, employment and income.
- Elevated gasoline prices drove consumer prices higher by 0.6% in March, as measured by the Department of Labor's consumer-price index. Strengthening demand amid a global economic recovery suggests that consumer prices could experience significant upward pressure in coming months.
- Total import prices rose by 1.2% in March due to higher energy prices and a weaker U.S. dollar. Prices have continued to rise from early-pandemic declines as a result of supply-chain disruptions and key-materials shortages. Export prices grew by 2.1% 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.
- Industrial production improved by 1.4% in March. Motor vehicles and parts production, which deteriorated by 10% in February, rose 2.8% in March. 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 74.4%. Manufacturing output increased by 2.7% for the month.
- The outlook for single-family homes advanced from 82 to 83 in April, according to the National Association of Home Builders/Wells Fargo Housing Market Index. The reading remained solid, but may run into challenges due to supply shortages and growing demand for lumber.
- The stubbornly high rate of initial jobless claims dropped by a larger-than-expected 193,000 to 576,000 during the week ending April 10. Other recent measures have also shown labor-market improvement: U.S. employers added 916,000 jobs in March, pushing the unemployment rate down from 6.2% to 6.0%.
- Mortgage-purchase applications fell by 1.0% for the week ending April 9. In the same period, refinancing applications slipped by 5.0% and the average interest rate on a 30-year fixed-rate mortgage inched lower, from 3.13% to 3.04%. Higher mortgage rates have hurt 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. Utilities and materials were the top performers, while telecommunications and energy lagged. Growth stocks led value, and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield moved lower to 1.59%. Global bond markets were in positive territory this week. Global corporate bonds led, followed by global government bonds and high-yield bonds.

The Numbers as of April 16, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	1.1%	8.6%	50.0%	702.0
MSCI EAFE (\$)	1.0%	6.4%	44.4%	2285.0
MSCI Emerging Mkts (\$)	0.8%	3.9%	51.6%	1341.1
U.S. & Canadian Equities				
Dow Jones Industrials (\$)	1.2%	11.7%	45.3%	34196.0
S&P 500 (\$)	1.5%	11.5%	49.6%	4189.3
NASDAQ (\$)	1.1%	9.0%	64.7%	14053.3
S&P/TSX Composite (C\$)	0.7%	11.0%	39.2%	19354.0
U.K. & European Equities				
FTSE All-Share (£)	1.4%	9.1%	29.2%	4006.8
MSCI Europe ex UK (€)	0.2%	9.9%	37.3%	1574.5
Asian Equities				
Topix (¥)	0.1%	8.7%	37.9%	1960.9
Hong Kong Hang Seng (\$)	0.9%	6.4%	20.7%	28969.7
MSCI Asia Pac. Ex-Japan (\$)	0.7%	4.6%	51.0%	692.7
Latin American Equities				
MSCI EMF Latin America (\$)	2.5%	-2.3%	47.5%	2394.9
Mexican Bolsa (peso)	2.3%	10.5%	44.3%	48712.0
Brazilian Bovespa (real)	2.8%	1.6%	55.5%	120978.0
Commodities (\$)				
West Texas Intermediate Spot	6.4%	30.1%	217.7%	63.1
Gold Spot Price	2.0%	-6.0%	3.9%	1780.0
Global Bond Indexes (\$)				
Barclays Global Aggregate (\$)	0.7%	-3.1%	5.1%	541.1
JPMorgan Emerging Mkt Bond	1.0%	-2.9%	14.8%	907.0
10-Year Yield Change (basis points*)				
US Treasury	-7	67	96	1.59%
UK Gilt	-1	57	46	0.76%
German Bund	4	31	21	-0.26%
Japan Govt Bond	-2	7	8	0.09%
Canada Govt Bond	4	86	92	1.54%
Currency Returns**				
US\$ per euro	0.7%	-1.9%	10.5%	1.198
Yen per US\$	-0.8%	5.4%	0.8%	108.79
US\$ per £	1.0%	1.2%	11.1%	1.384
C\$ per US\$	-0.2%	-1.7%	-11.2%	1.251

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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