

Weekly Update

Brighter Economic Outlook Boosts Equities

March 26, 2021

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The Economy

- U.S. equities largely registered positive performance during the week ending March 26 on expectations that the global economic recovery will accelerate as the year progresses due to greater COVID-19 vaccination rates and pent-up consumer demand. Stocks also gained on tame inflation data, which has caused investor concern about rising bond yields in recent weeks.
- A decline in consumer spending at the end of 2020 caused U.S. economic growth (as measured by gross domestic product) to plummet to an annualized rate of 4.3% in the fourth quarter from a record high of 33.4% in the prior quarter—with economic activity barely sustained in the final months of the year by business spending and investments.
- Consumer sentiment jumped from 76.8 in February to a one-year high of 84.9 in March, 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.
- Demand for durable-goods orders unexpectedly fell for the first time in 10 months during February and pointed to weak business spending. Economists did not indicate alarm about the negative reading; they suggested that inclement weather hampered factories and created supply-chain disruptions. The larger story shows strength in the manufacturing sector and that durable-goods orders will likely benefit from a springtime rebound in consumer spending.
- Preliminary estimates for the February reading of Markit's U.S. purchasing managers' index (PMI) showed that manufacturing activity expanded to 59.0 from 58.6 in the prior month. Estimates also showed improvement in services activity, moving to 60.0 from 59.8 over the same period. Manufacturing and services activity have been decidedly robust in recent months, but hit a snag due to unseasonably cold weather.
- New-home sales swelled to 775,000 in February from 948,000 in January. First-time homebuyers drove the increase as ultra-low mortgage rates boosted demand for single-family homes, particularly amid the pandemic. However, the reading underwhelmed expectations as builders faced higher costs, which translated to declining affordability during the month.
- Initial jobless claims remained near historic highs during the week ending March 20, but fell by 97,000 to 684,000—their lowest level in approximately one year. Warmer weather and an extensive vaccine distribution plan is expected to promote job growth later in the spring.
- Mortgage-purchase applications increased by 3.0% for the week ending March 19. In the same period, refinancing applications fell by 5.0% and the average interest rate on a 30-year fixed-rate mortgage rose from 3.09% to 3.17%.

Stocks

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

Bonds

- The 10-year Treasury bond yield moved lower to 1.67%. Global bond markets were in neutral territory this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of March 26, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	-1.1%	2.7%	48.4%	663.8
MSCI EAFE (\$)	-1.7%	2.2%	40.5%	2194.1
MSCI Emerging Mkts (\$)	-3.6%	-0.2%	51.4%	1288.4
U.S. & Canadian Equities				
Dow Jones Industrials (\$)	1.4%	8.1%	46.7%	33072.9
S&P 500 (\$)	1.1%	5.3%	50.4%	3954.5
NASDAQ (\$)	-0.6%	1.9%	68.5%	13138.7
S&P/TSX Composite (C\$)	-0.6%	7.5%	40.1%	18735.9
U.K. & European Equities				
FTSE All-Share (£)	0.5%	4.6%	20.8%	3842.2
MSCI Europe ex UK (€)	0.0%	6.2%	33.5%	1522.5
Asian Equities				
Topix (¥)	-1.4%	9.9%	41.8%	1984.2
Hong Kong Hang Seng (\$)	-2.3%	4.1%	21.3%	28336.4
MSCI Asia Pac. Ex-Japan (\$)	-3.1%	0.7%	54.0%	667.0
Latin American Equities				
MSCI EMF Latin America (\$)	-4.1%	-8.2%	33.1%	2251.1
Mexican Bolsa (peso)	0.6%	7.4%	32.5%	47318.1
Brazilian Bovespa (real)	-1.2%	-3.5%	47.8%	114844.1
Commodities (\$)				
West Texas Intermediate Spot	-0.7%	25.7%	169.8%	61.0
Gold Spot Price	-0.6%	-8.6%	5.7%	1731.9
Global Bond Indexes (\$)				
Barclays Global Aggregate (\$)	0.0%	-4.0%	5.9%	536.6
JPMorgan Emerging Mkt Bond	0.0%	-4.3%	13.7%	893.7
10-Year Yield Change (basis points*)				
US Treasury	-5	76	82	1.67%
UK Gilt	-8	56	36	0.76%
German Bund	-5	22	2	-0.35%
Japan Govt Bond	-3	6	8	0.08%
Canada Govt Bond	-9	82	66	1.50%
Currency Returns**				
US\$ per euro	-0.9%	-3.4%	7.0%	1.180
Yen per US\$	0.7%	6.2%	0.0%	109.63
US\$ per £	-0.6%	0.9%	13.0%	1.379
C\$ per US\$	0.6%	-1.2%	-10.3%	1.258

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.

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