

The Economy

- Elevated prices for a broad category of goods and services drove consumer prices higher by 0.8% in April, as measured by the Department of Labor's consumer-price index.¹ Inflation accelerated at its fastest rate in more than 12 years during April—jumping by 4.6% from 12 months ago. The magnitude of the 12-month figures reported in recent months is amplified by the fact that inflation skewed lower a year ago as the U.S. economy traversed the worst of the pandemic.
- The hotter-than-expected inflation reading dented U.S. equities during the week ending May 14. While the Federal Reserve has kept interest rates low in an effort to assist the economic recovery, investors are concerned that the central bank may pivot if inflation continues to run hot.
- Producer prices moved higher by 0.6% in April (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 were unchanged in April 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 April.
- Total import prices rose by 0.7% in April 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 0.8% 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 0.7% in March, primarily in chemical materials and consumer energy products. 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 0.5% to 74.9%.
- The rate of initial jobless claims continued to reverse its stubbornly high trend, dropping by 34,000 to 473,000 during the week ending May 8, suggesting a healing job market that is moving closer to pre-pandemic levels.
- The number of U.S. job openings (a measure of labor demand) improved by 59,000 to a record high 8.12 million in March, according to the Department of Labor. Job postings jumped across most industries, indicating a strengthening labor market as the U.S. economy emerges from the pandemic.
- Mortgage-purchase applications increased by 1.0% for the week ending May 7. In the same period, refinancing applications moved higher by 3.0%, and the average interest rate on a 30-year fixed-rate mortgage fell from 2.96% to 2.94%. Lower mortgage rates have bolstered the refinancing market in recent weeks.

Stocks

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

Bonds

- The 10-year Treasury bond yield moved higher to 1.63%. Global bond markets were in negative territory this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of May 14, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	-3.1%	6.5%	44.5%	688.5
MSCI EAFE (\$)	-3.0%	5.0%	41.9%	2254.2
MSCI Emerging Mkts (\$)	-4.1%	0.1%	43.5%	1292.8
U.S. & Canadian Equities				
Dow Jones Industrials (\$)	-1.0%	12.4%	45.7%	34416.1
S&P 500 (\$)	-1.4%	11.1%	46.3%	4174.3
NASDAQ (\$)	-2.3%	4.3%	50.3%	13440.6
S&P/TSX Composite (C\$)	-0.5%	11.1%	33.5%	19367.8
U.K. & European Equities				
FTSE All-Share (£)	-1.3%	9.2%	27.2%	4012.1
MSCI Europe ex UK (€)	-1.8%	9.0%	36.0%	1562.1
Asian Equities				
Topix (¥)	-2.6%	4.4%	30.2%	1883.4
Hong Kong Hang Seng (\$)	-2.0%	2.9%	17.6%	28027.6
MSCI Asia Pac. Ex-Japan (\$)	-4.3%	0.4%	42.7%	664.6
Latin American Equities				
MSCI EMF Latin America (\$)	-2.2%	0.4%	59.5%	2462.0
Mexican Bolsa (peso)	-0.1%	11.6%	36.2%	49177.2
Brazilian Bovespa (real)	-0.3%	2.2%	54.0%	121639.6
Commodities (\$)				
West Texas Intermediate Spot	0.7%	34.7%	137.2%	65.4
Gold Spot Price	0.4%	-2.9%	6.2%	1839.3
Global Bond Indexes (\$)				
Barclays Global Aggregate (\$)	-0.8%	-3.4%	4.6%	539.7
JPMorgan Emerging Mkt Bond	-0.7%	-2.9%	12.3%	906.7
10-Year Yield Change (basis points*)				
US Treasury	5	72	101	1.63%
UK Gilt	8	66	65	0.86%
German Bund	9	44	41	-0.13%
Japan Govt Bond	0	7	9	0.09%
Canada Govt Bond	6	88	103	1.56%
Currency Returns**				
US\$ per euro	-0.2%	-0.6%	12.4%	1.215
Yen per US\$	0.7%	5.9%	1.9%	109.34
US\$ per £	0.8%	3.1%	15.3%	1.410
C\$ per US\$	-0.2%	-4.8%	-13.8%	1.211

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.

¹ The Consumer Price Index measures the average change in prices that consumers pay for goods and services and is the most widely used measure of inflation.

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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