

In this week's recap: Markets overcome reaction to latest Delta variant news.

Weekly Economic Update

Presented by Hirling Financial Group, July 26, 2021

THE WEEK ON WALL STREET

Overcoming a COVID-related economic growth scare, stocks moved higher amid a week of strong corporate earnings reports.

The Dow Jones Industrial Average rose 1.08%, while the Standard & Poor's 500 gained 1.96%. The Nasdaq Composite index soared 2.84% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, dipped 0.20%.^{1,2,3}

DELTA VARIANT HEAD FAKE

Stocks staged a broad retreat on Monday as traders worried about the adverse economic implications of growing Delta variant infections. Economically sensitive sectors, such as energy, financials, industrials, and materials, absorbed the brunt of Monday's sell-off.

But the markets did a quick about face, posting four-consecutive days of gains and leaving the three major averages with fresh record highs.⁴

The sharp reversal may be attributable to a "buy on the dip" investor mentality, the absence of investment alternatives to stocks in this low interest rate environment, and massive financial liquidity. Stocks were also lifted by a healthy kick-off to the second quarter earnings season.

STRONG START

The earnings season moved into full swing last week, and the results exceeded the market's high expectations.

Of the 120 companies in the S&P 500 index that have reported as of Friday, July 23, 89% of them beat the Street's earnings-per-share estimates by, on average, 20.6%. Financials and Consumer Discretionary sectors provided the biggest earnings surprises (+28.9% and +24.5%, respectively), while Materials and Utilities delivered the smallest positive surprises (+5.3% and +2.5%, respectively).

These earnings beats are leading Wall Street analysts to raise earnings estimates for 3Q 2021 through 1Q 2022.⁵

FINAL THOUGHT

The National Bureau of Economic Research said last week that the pandemic-induced recession ended in April 2020, officially lasting two months and making it the shortest recession in U.S. history.⁶

TIP OF THE WEEK



Each day brings breaking news; beware of abruptly altering your long-range financial strategy in response.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: New Home Sales.

Tuesday: Consumer Confidence. Durable Goods Orders.

Wednesday: FOMC (Federal Open Market Committee) Announcement.

Thursday: GDP (Gross Domestic Product). Jobless Claims.

Source: Econoday, July 23, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Tesla (TSLA), Lockheed Martin (LMT).

Tuesday: Apple, Inc. (AAPL), Microsoft Corporation (MSFT), General Electric (GE), Advanced Micro Devices, Inc. (AMD), Visa (V), Alphabet, Inc. (GOOGL), Starbucks Corporation (SBUX), 3M Company (MMM), United Parcel Service, Inc. (UPS), Mondelez International (MDLZ).

Wednesday: Facebook, Inc. (FB), The Boeing Corporation (BA), Qualcomm, Inc. (QCOM), Bristol Myers Squibb (BMY), Paypal Holdings (PYPL), Pfizer, Inc. (PFE), McDonalds Corporation (MCD), Shopify, Inc. (SHOP), Servicenow, Inc. (NOW), Thermo Fisher Scientific, Inc. (TMO).

Thursday: Amazon.com, Inc. (AMZN), Ford Motor Company (F), Mastercard (MA), Twilio, Inc. (TWLO), Merck & Company (MRK), The Southern Company (SO), Northrop Grumman (NOC), Comcast Corporation (CMCSA), AnheuserBusch InBev (BUD), Abbvie, Inc. (ABBV).

Friday: Exxon Mobil Corporation (XOM), Caterpillar, Inc.(CAT), Chevron Corporation (CVX), Procter & Gamble (PG), Charter Communications, Inc. (CHRT).

Source: Zacks, July 23, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



“If you have passion, a chip on the shoulder, a sense of humor, and you can explain what you do very well, it doesn't matter if you're a plumber or a singer or a politician. If you have those four things, you are interesting.”

LARRY KING

Market Index	Close	Week	Y-T-D
DJIA	35,061.55	+1.08%	+14.56%
NASDAQ	14,836.99	+2.84%	+15.12%
MSCI-EAFE	2,298.19	-0.20%	+7.02%
S&P 500	4,411.79	+1.96%	+17.46



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.30%	-0.01%	+0.37%

Sources: The Wall Street Journal, July 23, 2021; Treasury.gov, July 23, 2021

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, July 16, to Friday, July 23, close. Weekly performance for the MSCI-EAFE is measured from Friday, July 16, open to Thursday, July 22, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



When can you add two to eleven and get one as the correct answer?

LAST WEEK'S RIDDLE: If you were running a race, and you passed the person in 2nd place, what place would you be in now?

ANSWER: 2nd place.

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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, July 23, 2021
2. The Wall Street Journal, July 23, 2021
3. The Wall Street Journal, July 23, 2021
4. CNBC, July 23, 2021
5. Earnings Scout, July 23, 2021
6. The Wall Street Journal, July 19, 2021