

# EMERALD

## MARKET VIEW WEEKLY

October 8<sup>th</sup>, 2021



### ECONOMIC REVIEW<sup>1</sup>

- The ISM Services Index for September increased to 61.9 compared to the consensus expectation of 59.9.
- Non-farm payrolls for the month of September increased by 194,000, below economists' expectations of 500,000 jobs added.
- The unemployment rate fell to 4.8%, lower than the survey estimate of 5.1%.

**INSIGHT:** Economists remain optimistic on the ISM Services Index reading as last month's report had some promising trends. The reading of the index may also have benefitted from the shift in demand by consumers from goods to services. For the second month in a row the labor market has seen weaker than expected job growth. With unemployment benefits expiring coupled with children going back to school, the scene was set for a breakout jobs number; however, the opposite happened as the reading showed the lowest job growth over the last eight months. The headline number was brought down by a decrease of -132,000 government jobs. This may be attributed to the vaccine mandates set for government employees. Despite the lackluster job gains, the unemployment rate fell below 5% for the first time since the pandemic began. However, this was driven by a drop in labor force participation, meaning more people left the workforce and therefore labor shortages could worsen.



### A LOOK FORWARD<sup>1</sup>

- The Job Openings and Labor Turnover Survey (JOLTS) will be announced on Tuesday, with expectations for 10.925 million job openings, a decrease from the previous month's openings of 10.934 million.
- Consumer Price Index (CPI) will be released on Wednesday, the expectation is an increase of 0.3% for the month of September. The year-over-year estimate is 5.3%.
- Producer Price Index (PPI) will be announced on Thursday, the survey estimate is a 0.6% increase for the month of September. The year-over-year estimate is 8.8%.
- Retail Sales will be announced on Friday, expectations are calling for a -0.2% decrease compared to the previous month's increase of +0.7%.

**INSIGHT:** Demand for labor continues to remain strong as companies continue to battle with attempting to ease ongoing supply constraints. Wages have been increasing at elevated rates, with the hope that after a disappointing jobs report, increasing wages may lure individuals back to the labor market. Inflation measures, while showing signs of moderating, are still above normal cycle averages. With the expectation that tapering will begin in November, the Federal Reserve is signaling that it collectively expects growth and inflation to be strong over the next year. With growth and inflation above trend, this may allow the Fed to start to withdraw some of the stimulus that has helped the economy get to this point. Producer prices continue to show inflationary pressures as input prices remain elevated, pointing to a greater probability that companies may pass these costs onto the end consumer. Increased prices may be a headwind for retail spending moving towards the holiday season.

## MARKET UPDATE

Market Index Returns as of 10/08/21 <sup>1</sup>	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.83%	1.99%	18.23%	29.29%	17.14%	17.50%
NASDAQ	0.10%	0.92%	13.70%	28.52%	24.65%	23.68%
Dow Jones Industrial Average	1.27%	2.71%	15.17%	24.57%	11.94%	16.38%
Russell Mid-Cap	0.62%	1.88%	17.34%	33.21%	15.83%	15.13%
Russell 2000 (Small Cap)	-0.37%	1.32%	13.89%	38.49%	12.52%	14.02%
MSCI EAFE (International)	0.29%	-0.47%	7.84%	22.38%	8.62%	8.88%
MSCI Emerging Markets	0.85%	0.33%	-0.92%	14.79%	10.57%	9.03%
Bloomberg Barclays US Agg Bond	-0.78%	-0.50%	-2.05%	-1.19%	5.51%	2.95%
Bloomberg Barclays High Yield Corp.	-0.33%	-0.33%	4.19%	9.60%	6.95%	6.35%
Bloomberg Barclays Global Agg	-0.66%	-0.36%	-4.41%	-1.23%	4.48%	2.20%



## OBSERVATIONS

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +0.83% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index decreased by -0.37% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +0.29%, underperforming domestic stocks.
- Emerging market stocks were positive on the week with the MSCI EM up +0.85%.
- U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -0.78%.



## BY THE NUMBERS

**GOING UP?** - Inflation as of 9/30/21, using the Consumer Price Index, will be reported this Wednesday 10/13/21. For the trailing 12 months ending 8/31/21, inflation was up +5.3%, a level not seen over the course of a calendar year in 31 years (source: Department of Labor).

**SAME FOR YOU?** - The total household net worth in America is up +47% in the last 4 years and is up +89% in the last 8 years. The total US household net worth was \$74.8 trillion as of 6/30/13, was \$96.2 trillion as of 6/30/17 and was \$141.7 trillion as of 6/30/21 (source: Federal Reserve).

**GOT YOUR SHOTS?** - 81% of 1,000 small business owners (i.e., firms employing less than 100 workers) who were surveyed in September 2021 say they would require new hires to be vaccinated or they are considering a requirement that new hires be vaccinated (source: Digital.com).

**WHAT A DAY!** - 13 years ago, this week (on Monday 10/13/08), the single-best trading day for the S&P 500 in the last 71 years (since 1950) took place – a gain of +11.58% (total return) in just 1 trading day. The S&P 500 consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its value (source: BTN Research).

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### Economic Definitions

**Nonfarm Payrolls:** This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

**Unemployment Rate:** The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

**ISM Services Index:** PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

**CPI (headline and core):** Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

**PCE (headline and core):** PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

**Retail Sales:** Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

**Job Openings – JOLTS:** This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

### *Index Definitions*

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

### *Disclosures*

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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<sup>1</sup> Data obtained from Bloomberg as of 10/08/2021



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