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# Market Week: August 9, 2021

## The Markets (as of market close August 6, 2021)

Stocks closed last week generally higher on the heels of a solid jobs report, which may have quelled worries that economic growth was slowing. Nevertheless, equity returns were volatile for much of the week, reflecting ongoing uncertainty as variant strains of the virus spread and concerns rose over the possibility that the Federal Reserve may begin reeling in its asset-purchasing program sooner than expected. Financials led the market sectors, advancing 3.6% for the week, followed by utilities, which rose 2.3%. Most of the remaining sectors increased less than 1.0%, while consumer staples dipped 0.6%. The benchmark indexes listed here generally posted weekly gains, other than the Russell 2000, which fell 1.2%. Crude oil prices closed the week at \$68.50 per barrel, down more than 7.0% from the prior week's closing price. Gold slipped, the dollar rose, and the yield on 10-year Treasuries climbed higher.

Wall Street erased earlier gains to close lower last Monday. Increasing demand sent the yield on 10-year Treasuries down as low as 1.15%, possibly raising investor concerns about the pace of economic growth. The Nasdaq inched 0.1% higher and the Global Dow rose 0.4%. The Russell 2000 (-0.5%), the Dow (-0.3%), and the S&P 500 (-0.2%) lost value. Materials, industrials, and energy fell, while utilities, health care, and consumer discretionary were market sectors that rose. Crude oil prices and the dollar dipped lower.

Stocks rebounded last Tuesday as strong corporate earnings data offset concerns about the Delta virus variant and China's deepening regulatory scrutiny of megatech companies. Ten of the 11 market sectors traded higher, pushing the S&P 500 to a record closing high. The Dow, the Nasdaq, the Global Dow, and the Russell 2000 also posted solid gains. Treasury yields and the dollar inched higher, while crude oil prices dipped lower but remained over \$70.00 per barrel.

Energy shares fell nearly 3.0% last Wednesday and stocks retreated from the previous day's strong showing. Among the benchmark indexes, only the Nasdaq eked out a 0.1% gain. The Russell 2000 fell 1.2%, the Dow lost 0.9%, while the Global Dow and the S&P 500 dropped 0.5%. Treasury yields and the dollar climbed higher, while crude oil prices dipped below \$70.00 per barrel, closing at roughly \$68.47 per barrel — the lowest price since mid July.

Despite hawkish comments from a few members of the Federal Reserve who suggested policy accommodations may be pulled back sooner than expected, the S&P 500 and the Nasdaq closed last Thursday at record highs, and the stock market ended the day with solid returns. The Russell 2000 led the way, gaining 1.8%, while the Dow and the Nasdaq advanced 0.8%. The S&P 500 and the Global Dow climbed 0.6%. The yield on 10-year Treasuries climbed back over 1.21%, crude oil prices continued to fall, and the dollar was generally unchanged. Among the market sectors, energy, financials, and utilities rose more than 1.0%, followed by communication services and consumer discretionary, which increased 0.9%.

Stocks closed last Friday mixed, with the large caps of the Dow (0.4%) and the S&P 500 (0.2%) reaching record highs, while the Nasdaq (-0.4%) and the Russell 2000 (-1.0%) lost value. The Global Dow inched ahead 0.2%. Yields on 10-year Treasuries gained 6.0%, the dollar climbed 0.6%, while crude oil prices dipped 3.0%. Financials, materials, and energy sectors pushed higher, while consumer discretionary and real estate edged lower.

The national average retail price for regular gasoline was \$3.159 per gallon on August 2, \$0.023 per gallon more than the prior week's price and \$0.983 higher than a year ago. Gasoline production increased during



## Key Dates/Data Releases

8/9: JOLTS

8/11: Consumer Price Index, Treasury statement

8/12: Producer Price Index

8/13: Import and export prices

the week ended July 30, averaging 10.2 million barrels per day, up from the prior week's average of 9.8 million barrels per day. U.S. crude oil refinery inputs averaged 15.9 million barrels per day during the week ended July 30; this was 46,000 barrels per day more than the previous week's average. For the week ended July 30, refineries operated at 91.3% of their operable capacity, up marginally from the prior week's level of 91.1%.

## Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 8/6	Weekly Change	YTD Change
DJIA	30,606.48	34,935.47	35,208.51	0.78%	15.04%
Nasdaq	12,888.28	14,672.68	14,835.76	1.11%	15.11%
S&P 500	3,756.07	4,395.26	4,436.52	0.94%	18.12%
Russell 2000	1,974.86	2,226.25	2,200.58	-1.15%	11.43%
Global Dow	3,487.52	3,981.32	4,034.74	1.34%	15.69%
Fed. Funds target rate	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps
10-year Treasuries	0.91%	1.23%	1.29%	6 bps	38 bps
US Dollar-DXY	89.84	92.14	92.78	0.69%	3.27%
Crude Oil-CL=F	\$48.52	\$73.81	\$68.47	-7.23%	41.12%
Gold-GC=F	\$1,893.10	\$1,816.70	\$1,813.60	-0.17%	-4.20%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

## Last Week's Economic News

- Payrolls rose by 943,000 in July following an upwardly revised 938,000 new jobs added in June. The unemployment rate fell by 0.5 percentage point to 5.4%, and the number of unemployed persons fell by 782,000 to 8.7 million. While these rates are well below their highs from the period of February-April 2020, they remain well above their levels prior to the pandemic (3.5% and 5.7 million, respectively). Employment in July is up by 16.7 million since April 2020 but is down by 5.7 million, or 3.7%, from its pre-pandemic level in February 2020. In July, notable job gains occurred in leisure and hospitality (380,000), in local government education (221,000), and in professional and business services (60,000). The number of those who permanently lost their jobs declined by 257,000 to 2.9 million in July but is 1.6 million higher than in February 2020. The labor force participation rate was little changed at 61.7% in July and has remained within a narrow range of 61.4% to 61.7% since June 2020. The participation rate is 1.6 percentage points lower than in February 2020. The employment-population ratio increased by 0.4 percentage point to 58.4% in July and is up by 1.0 percentage point since December 2020. In July, the number of persons not in the labor force who currently want a job was 6.5 million, relatively unchanged over the month but up by 1.5 million since February 2020. In July, 13.2% of employed persons teleworked because of the pandemic, down from 14.4% in the prior month. Last month, 5.2 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. In July, average hourly earnings increased by \$0.11 to \$30.54 and have risen 4.0% since July 2020. In July, the average work week was unchanged at 34.8 hours.
- According to IHS Markit, operating conditions in the manufacturing sector continued to improve in July, with notable expansion in output and new orders, which increased at the second-fastest pace since data collection began in May 2007. Costs and backlogs continued to rise as supplier shortages and delays exerted upward pressure on input costs and hampered firms' ability to process incoming new work. Overall, the IHS Markit U.S. Manufacturing Purchasing Managers' Index™ posted 63.4 in July, up from 62.1 in June.
- The IHS Markit US Services PMI Business Activity Index registered 59.9 in July, down from 64.6 in June. A reading above 50.0 indicates growth, so the services sector continued to expand in July, but at a slower pace than the previous month. In fact, the July rate of expansion in services was the slowest since February, due primarily to a slower rise in new business. Nevertheless, input costs and output charges escalated in July despite their respective rates of inflation softening from May's historic highs.
- According to the latest data from the Bureau of Economic Analysis, the international goods and services trade deficit for June was \$75.7 billion, an increase of 6.7% over the May deficit. June exports were \$207.7 billion, \$1.2 billion, or 0.6%, more than May exports. June imports were \$283.4 billion, \$6.0 billion, or 2.1%, more than May imports. Year to date, the goods and services deficit increased \$135.8

billion, or 46.4%, from the same period in 2020. Exports increased \$150.9 billion, or 14.3%. Imports increased \$286.7 billion, or 21.3%. In June, there were trade in goods surpluses (in billions of dollars) with South and Central America (\$4.5), Hong Kong (\$1.7), Brazil (\$1.5), and Singapore (\$0.6). Trade in goods deficits (in billions of dollars) were recorded with China (\$27.0), European Union (\$19.6), Mexico (\$7.2), Germany (\$6.3), Canada (\$5.5), Japan (\$4.9), Italy (\$3.7), India (\$3.5), Taiwan (\$3.3), South Korea (\$2.8), France (\$1.9), Saudi Arabia (\$0.3), and the United Kingdom (less than \$0.1).

- For the week ended July 31, there were 385,000 new claims for unemployment insurance, a decrease of 14,000 from the previous week's level, which was revised down by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended July 24 was 2.1%, a decrease of 0.3 percentage point from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended July 24 was 2,930,000, a decrease of 366,000 from the prior week's level, which was revised up by 27,000. This is the lowest level for insured unemployment since March 14, 2020, when it was 1,770,000. For comparison, during the same period last year, there were 1,043,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 10.9%. During the last week of February 2020 (pre-pandemic), there were 219,000 initial claims for unemployment insurance, and the number of those receiving unemployment insurance benefits was 1,724,000. States and territories with the highest insured unemployment rates for the week ended July 17 were California (5.2%), Puerto Rico (5.1%), Nevada (4.1%), Rhode Island (4.0%), Illinois (3.7%), New Jersey (3.7%), Connecticut (3.3%), New York (3.3%), the District of Columbia (3.1%), and Pennsylvania (3.0%). The states and territories with the largest increases in initial claims for the week ended July 24 were California (+8,010), Tennessee (+1,694), Michigan (+449), New Jersey (+420), and Florida (+140), while the largest decreases were in Pennsylvania (-21,218), Texas (-11,154), Kentucky (-7,185), Illinois (-7,060), and Missouri (-5,351).

## Eye on the Week Ahead

Inflationary pressures have been rising. Since June 2020, the Consumer Price Index has climbed 5.4% and the Producer Price Index has increased 7.3%. The data for July is available this week for both the CPI and the PPI. Those who study this data expect both indexes to increase by roughly 0.5% in July.

*Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.*

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