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Market Week: July 26, 2021

The Markets (as of market close July 23, 2021)

Last week proved to be a choppy one for stocks. The week began with stocks trending lower on news of a spike in the number of coronavirus cases. However, strong corporate earnings reports helped support the perception that the economy is continuing to advance, despite the cloud of the Delta variant hanging overhead. By last Friday, both the Nasdaq and the S&P 500 reached record highs, with megacap tech stocks helping drive the indexes upward. The Nasdaq gained 2.8% to lead the major benchmark indexes, followed by the Russell 2000, the S&P 500, the Dow, and the Global Dow. Yields on 10-year Treasuries dipped 2.0 basis points lower, while the dollar and crude oil prices each ended the week higher. Gold prices, which had been climbing, took a slight step back, falling about 0.5%.

Stocks slumped last Monday to begin last week as a spike in coronavirus cases, both domestically and abroad, put a damper on the economic recovery. Investors shied away from stocks and moved toward bonds, driving prices higher and yields lower. Each of the market sectors fell, led by financials, industrials, and materials. The S&P 500 dropped the most in two months, the Dow had its largest decline since October, while the small caps of the Russell 2000 continued to sink, falling nearly 10% since peaking in March. The CBOE Volatility Index, which had been relatively steady for several sessions, soared nearly 22.0%. Crude oil prices fell 7.4% to $66.51 per barrel — the first time prices fell below $70.00 per barrel since early June, after major oil-producing countries agreed to boost supply into 2022.

Wall Street closed higher last Tuesday, rebounding from a multi-session losing streak. Several strong corporate earnings reports helped renew investor optimism, at least temporarily, in a reviving economy. Each of the benchmark indexes posted solid gains, led by the Russell 2000 (3.0%), which enjoyed its first positive session since July 12. The Dow and the Nasdaq each gained 1.6%, followed by the S&P 500, which advanced 1.5%, and the Global Dow, which gained 1.0%. Industrials, financials, and real estate headed the sectors, with only consumer staples dipping modestly. The yield on 10-year Treasuries reversed course from last Monday, climbing to 1.20%. The dollar and crude oil prices also advanced by the close of trading.

Stocks advanced for the second straight day last Wednesday. Robust corporate earnings reports helped fuel renewed optimism in the economy, despite increasing coronavirus cases and inflation. The Russell 2000 again led the indexes, climbing 1.7%, followed by the Global Dow (1.5%) and the Nasdaq (0.9%). Both the Dow and the S&P 500 gained 0.8%. Energy shares advanced 3.5%, and financials increased 1.7%. Crude oil prices climbed back above $70.00 per barrel. The dollar dipped, while the yield on 10-year Treasuries jumped 7.1 basis points to 1.28%.

Equities closed last Thursday mostly higher, with only the Russell 2000 losing ground among the benchmark indexes. Technology led the market sectors, with health care, consumer discretionary, and communication services also advancing. Energy and financials both fell more than 1.0%. Treasury yields dipped lower, while the dollar and crude oil prices rose higher.

Another round of robust corporate profits helped push stocks to record highs last Friday. Surging earnings are reflecting an ongoing rise in economic activity, possibly allaying fears that stocks are overvalued. The Nasdaq and the S&P 500 each gained 1.0%, while the Dow (0.7%), the Russell 2000 (0.5%), and the Global Dow (0.4%) also finished the day ahead. Yields on 10-year Treasuries, the dollar, and crude oil prices advanced. Communication services led the sectors, increasing 2.7%.

Key Dates/Data Releases
7/26: New home sales
7/27: Durable goods orders
7/28: International trade in goods, FOMC statement
7/29: GDP
7/30: Personal income and outlays

The national average retail price for regular gasoline was $3.153 per gallon on July 19, $0.020 per gallon higher than the prior week's price and $0.967 more than a year ago. Gasoline production decreased during the week of July 19, averaging 9.1 million barrels per day, down from the prior week's average of 9.9 million barrels per day. U.S. crude oil refinery inputs averaged 16.0 million barrels per day during the week ended July 16; this was 87,000 barrels per day less than the previous week's average. For the week ended July 19, refineries operated at 91.4% of their operable capacity, down from the prior week's level of 91.8%.

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 7/23	Weekly Change	YTD Change
DJIA	30,606.48	34,687.85	35,061.55	1.08%	14.56%
Nasdaq	12,888.28	14,427.24	14,836.99	2.84%	15.12%
S&P 500	3,756.07	4,327.16	4,411.79	1.96%	17.46%
Russell 2000	1,974.86	2,163.24	2,209.65	2.15%	11.89%
Global Dow	3,487.52	3,941.75	3,966.19	0.62%	13.73%
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%	1.30%	1.28%	-2 bps	37 bps
US Dollar-DXY	89.84	92.71	92.88	0.18%	3.38%
Crude Oil-CL=F	$48.52	$71.46	$72.08	0.87%	48.56%
Gold-GC=F	$1,893.10	$1,811.70	$1,802.10	-0.53%	-4.81%

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

- The housing sector continues to slow down from its accelerated pace. Building permits issued, housing starts, and housing completions each fell in June from their respective May totals. Building permits dipped 5.1% in June but are up 23.35% from June 2020. Housing starts slid 1.3% in June but have risen 43.3% over the past 12 months. Housing completions are 6.5% over their June 2020 totals, despite falling 1.4% last month. Building permits for single-family homes fell 6.3% and single-family home completions dropped 6.1% in June. However, single-family housing starts increased 6.3% last month.
- Sales of existing homes increased 1.4% in June, snapping a streak of four consecutive monthly declines. Overall, existing home sales are up 22.9% over June 2020. Inventory was still relatively scarce in June, however. Unsold inventory sat at a 2.6-month supply at the current sales pace in June, modestly up from May's 2.5-month supply but down from 3.9 months in June 2020. The median existing home price in June was $363,300, up from $350,300 in May and 23.4% over the June 2020 median sales price of $294,400. Sales of existing single-family homes also rose 1.4% in June and are up 19.3% since June 2020. The median existing single-family home price was $370,600 in June, 3.9% higher than the May median price of $356,600.
- For the week ended July 17, there were 419,000 new claims for unemployment insurance, an increase of 51,000 from the previous week's level, which was revised up by 8,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended July 10 was 2.4%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended July 10 was 3,236,000, a decrease of 29,000 from the prior week's level, which was revised up by 24,000. This is the lowest level for insured unemployment since March 21, 2020, when it was 3,094,000. For comparison, during the same period last year, there were 1,398,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 11.2%. 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 3 were Virgin Islands (4.8%), Puerto Rico (4.7%), Nevada (4.1%), Rhode Island (3.9%), California (3.8%), Illinois (3.7%), New Jersey (3.7%), New York (3.6%), Connecticut (3.5%), the District of Columbia (3.1%), and Pennsylvania (3.1%). The largest increases in initial claims for the week ended July 10 were in Texas (+10,091), New York (+8,190), Pennsylvania (+4,319), Tennessee (+3,061), and Missouri (+1,793), while the largest decreases were in Georgia (-5,286), Rhode Island (-4,807), Puerto Rico (-3,934), Kentucky (-3,771), and Maryland (-2,497).

Eye on the Week Ahead

There's plenty of important market-moving economic information available this week, starting with the latest meeting of the Federal Open Market Committee. The FOMC has maintained the federal funds interest rate and bond purchasing program for several months. However, inflation has been trending higher in conjunction with an improving economy. At some point, the Committee with begin to scale back the quantitative easing measures currently in place, which will likely have a direct impact on the market. Also, the second estimate of gross domestic product for the second quarter is available this week. The initial estimate showed that the economy expanded at an annualized rate of 6.4% in the second quarter.

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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