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Market Week: May 10, 2021

The Markets (as of market close May 7, 2021)

Stocks opened generally higher last Monday, with only the Nasdaq (-0.5%) losing ground. The Dow closed up 0.7%, followed by the Global Dow (0.6%), the Russell 2000 (0.5%), and the S&P 500 (0.3%). Losses in consumer discretionary, communication services, real estate, and information technology were offset by gains in energy, materials, health care, industrials, consumer staples, and financials. Crude oil prices rose by more than 1.3%, pushing the price per barrel over \$64.40. The dollar and Treasury yields slid.

Tech shares plunged lower last Tuesday, sending the Nasdaq (-1.9%) to its worst single-day performance since March. By the end of trading, only the Dow was able to avoid a losing session — and only barely as it inched up 0.1%. The Russell 2000 fell 1.3%, the S&P 500 dropped 0.7%, and the Global Dow declined 0.6%. Information technology lost 1.9%, consumer discretionary fell 1.2%, and communication services decreased 0.9%. Sectors posting positive returns were materials (1.0%), financials (0.7%), and industrials (0.4%). The yield on 10-year Treasuries declined for the second consecutive day, while the dollar and crude oil prices advanced.

Last Wednesday saw stocks close generally mixed, with the Global Dow (1.1%), the Dow (0.3%), and the S&P 500 (0.1%) posting moderate gains, while the Nasdaq (-0.4%) and the Russell 2000 (-0.3%) fell. Treasury yields continued to fall, as bond prices advanced. Crude oil prices and the dollar declined. Among the sectors, energy (3.3%), materials (1.3%), and financials (0.9%) held up the best, while utilities (-1.7%) and real estate (-1.5%) fell the furthest.

Tech shares rebounded last Thursday, helping to drive stocks higher. The Dow reached a record high, gaining 0.9% by the close of trading. The Global Dow advanced 1.0%, the S&P 500 climbed 0.8%, the Nasdaq gained 0.4%, while the Russell 2000 was unchanged from the previous day. Treasury yields, crude oil prices, and the dollar all declined. Each of the market sectors rose, led by financials, consumer staples, communication services, and information technology.

Tech shares and cyclicals led the way last Friday, pushing stocks higher as both the Dow and S&P 500 reached new highs. The Russell 2000 added 1.4%, followed by the Global Dow, which advanced 1.2%, the Nasdaq climbed 0.9%, the S&P 500 gained 0.7%, and the Dow increased 0.7%. Treasury yields pushed higher for the first time in several days, crude oil prices rose, while the dollar slid. Energy led the market sectors, with real estate, industrials, materials, consumer discretionary, and information technology also advancing.

For the week, the markets may have been aided by strong first-quarter earnings reports and declining unemployment claims. However, a lower-than-expected number of new hires in April may lend credence to the Federal Reserve's suggestion that the economy is still far from full recovery and accommodative measures are still needed. While tech shares rebounded at the end of last week, it wasn't enough to keep the Nasdaq from falling after closing 1.5% lower. However, the remaining benchmark indexes listed here advanced, led by the Global Dow, followed by the Dow, the S&P 500, and the Russell 2000. The market sectors were also mixed for the week. Energy (8.9%), materials (5.9%), financials (4.2%), industrials (3.4%), health care (2.3%), and consumer staples (1.6%) advanced, while consumer discretionary (-1.2%), utilities (-1.1%), real estate (-0.9%), and information technology (-0.5%) fell. Communication services closed the week unchanged. The yield on 10-year Treasuries dipped, crude oil and gold prices climbed, while the dollar fell.



Key Dates/Data Releases

5/11: JOLTS

5/12: Consumer Price Index, Treasury budget statement

5/13: Producer Price Index

5/14: Retail sales, import and export prices, industrial production

The national average retail price for regular gasoline was \$2.890 per gallon on May 3, \$0.018 per gallon more than the prior week's price and \$1.101 higher than a year ago. U.S. crude oil refinery inputs averaged 15.2 million barrels per day during the week ended April 30, which was 225,000 barrels per day more than the previous week's average. Refineries operated at 86.5% of their operable capacity last week. Gasoline production decreased last week, averaging 9.1 million barrels per day.

Stock Market Indexes

| Market/Index | 2020 Close | Prior Week | As of 5/7 | Weekly Change | YTD Change |
|------------------------|-------------|-------------|-------------|---------------|------------|
| DJIA | 30,606.48 | 33,874.85 | 34,777.76 | 2.67% | 13.63% |
| Nasdaq | 12,888.28 | 13,962.68 | 13,752.24 | -1.51% | 6.70% |
| S&P 500 | 3,756.07 | 4,181.17 | 4,232.60 | 1.23% | 12.69% |
| Russell 2000 | 1,974.86 | 2,266.45 | 2,271.63 | 0.23% | 15.03% |
| Global Dow | 3,487.52 | 3,924.14 | 4,061.26 | 3.49% | 16.45% |
| 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% | 1.63% | 1.57% | -6 bps | 66 bps |
| US Dollar-DXY | 89.84 | 91.26 | 90.22 | -1.14% | 0.42% |
| Crude Oil-CL=F | \$48.52 | \$63.50 | \$64.89 | 2.19% | 33.74% |
| Gold-GC=F | \$1,893.10 | \$1,768.20 | \$1,831.50 | 3.58% | -3.25% |

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

- April saw the addition of 266,000 new jobs after 770,000 (revised) new jobs were added in March. The unemployment rate, at 6.1%, inched up 0.1 percentage point from the previous month, and the number of unemployed persons, at 9.8 million, increased by 102,000 from March. These measures are down considerably from their recent highs in April 2020 but remain well above their levels prior to the COVID-19 pandemic (3.5% and 5.7 million, respectively, in February 2020). The number of permanent job losers, at 3.5 million, was also little changed over the month but is 2.2 million higher than in February 2020. The labor force participation rate increased by 0.2 percentage point to 61.7%, and the employment-population ratio was essentially unchanged at 57.9%. In April, the number of persons not in the labor force who currently want a job was 6.6 million, about 200,000 less than the March total but up by 1.6 million since February 2020. In April, 18.3% of employed persons teleworked because of the COVID-19 pandemic, down from 21.0% in the prior month. In April, 9.4 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic — down from 11.4 million in the previous month. In April, notable job gains occurred in leisure and hospitality, food services and drinking places, and financial activities. Employment edged down in manufacturing, couriers and messengers, motor vehicles and parts, and in food and beverage stores. In April, average hourly earnings increased by \$0.21 to \$30.17. Average hourly earnings have increased just \$0.10 since April 2020. The average workweek increased by 0.1 hour to 35.0 hours in April, and has risen 0.8 hours since April 2020.
- According to the latest April PMI™ data from IHS Markit, the purchasing managers' index was 60.5 in April, up from 59.1 in March. This figure is the highest since data collection began in May 2007. Driving the overall increase in manufacturing was a sharp upturn in output and new orders. Fiscal and monetary stimulus directed toward the manufacturing sector are helping drive the surge.
- The services sector is booming, according to the IHS Markit U.S. Services PMI™. The services purchasing managers' index registered 64.7 in April, up from 60.4 in March. This is the sharpest upturn since the index began in late 2009. Stronger client demand and a rise in new sales helped drive the surge in services. Pressure on capacity remained evident, as backlogs of work accumulated at a faster pace, and employment rose at the second-sharpest rate on record. Meanwhile, input costs advanced at the quickest rate since data collection began in October 2009 amid supplier price hikes. Many businesses passed the increase in input costs on to consumers, who saw output prices increase for the fourth consecutive month.
- According to the latest report, the goods and services trade deficit increased for the third consecutive month after climbing 5.6% in March. Exports increased 6.6%, while imports advanced 6.3%. March exports were \$200.0 billion, \$12.4 billion more than February exports. March imports were \$274.5 billion,

\$16.4 billion more than February imports. Year to date, the goods and services deficit increased \$83.2 billion, or 64.2%, from the same period in 2020. Exports decreased \$21.0 billion, or 3.5%. Imports increased \$62.2 billion, or 8.5%.

- The number of initial claims for unemployment benefits continued to fall last week. For the week ended May 1, there were 498,000 new claims for unemployment insurance, a decrease of 92,000 from the previous week's level, which was revised up by 37,000. This is the lowest level for initial claims since March 14, 2020, when it was 256,000. According to the Department of Labor, the advance rate for insured unemployment claims was 2.6% for the week ended April 24, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended April 24 was 3,690,000, an increase of 37,000 from the prior week's level, which was revised down by 7,000. For comparison, during the same period last year, there were 2,784,000 initial claims for unemployment insurance, and the insured unemployment claims rate had risen to 14.9%. 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 in the week ended April 17 were in Nevada (6.2%), Connecticut (5.2%), the Virgin Islands (4.9%), Alaska (4.7%), New York (4.3%), Illinois (4.1%), Pennsylvania (4.1%), Vermont (4.1%), Rhode Island (4.0%), and the District of Columbia (3.7%). The largest increases in initial claims for the week ended April 24 were in Virginia (+23,605), Florida (+9,179), Michigan (+8,234), California (+5,731), and Oregon (+4,064), while the largest decreases were in Texas (-12,673), Wisconsin (-7,504), Tennessee (-4,063), Georgia (-3,617), and Iowa (-3,026).

Eye on the Week Ahead

This is a busy week for important economic reports. Data focusing on inflationary trends for April is available through the Consumer Price Index, the Producer Price Index, and the retail sales report. Consumer prices were up 2.6% over the 12 months ended in March, largely driven by surging energy prices. The CPI, less food and energy prices, is up 1.6% during the same 12-month period. The April monthly budget statement from the Federal Reserve is also out this week. The government deficit in March was \$660 billion and \$1.7 trillion year to date.

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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