

Market Week: July 12, 2021



The Markets (as of market close July 9, 2021)

The holiday-shortened week can best be described as volatile. Some observers suggest investors may be retreating from stocks over uncertainties surrounding the pace of economic recovery coupled with easing inflation expectations. For much of the week, stock values road a roller-coaster ride of ups and downs, while Treasury prices climbed, pulling yields lower.

The market was closed last Monday in observance of Independence Day. Last Tuesday saw the yield on 10-year Treasuries fall to 1.37%, their lowest level since February. Energy, materials, financials, and industrials fell. The Russell 2000 fell 1.4%, the Dow dropped 0.6%, the Global Dow lost 1.1%, and the S&P 500 dipped 0.2%. Only the Nasdaq was able to eke out a 0.2% gain. Crude oil prices declined, while the dollar advanced.

Stocks were mixed last Wednesday as the Nasdaq and the S&P 500 each closed with fresh record highs; the Dow gained 0.3% but the Russell 2000 and the Global Dow lost value. Rising prices on 10-year Treasury notes pulled yields lower to close at 1.32%. The dollar inched higher. The minutes from the last Federal Reserve meeting showed that policymakers were still cautious about the economic outlook and were willing to remain patient about making changes to current stimulus policies. Among the market sectors, energy fell, with crude oil prices falling to \$74.72 per barrel. Industrials and materials continued to show strength.

Equities retreated last Thursday as the Nasdaq, the Dow, and the S&P 500 gave back gains from the previous day. Each of the benchmark indexes listed here lost at least 0.7%, with the Global Dow (-1.1%) and the Russell 2000 (-1.0%) falling the most. Prices on 10-year Treasuries continued to rise, with a corresponding drop in yields. Crude oil prices rose, while the dollar fell. Not unexpectedly, each of the market sectors declined, led by financials (-2.0%), industrials (-1.4%), materials (-1.4%), and communication services (-1.1%).

Stocks closed last Friday on a high note. Each of the benchmark indexes listed here posted solid gains, led by the Russell 2000, which jumped 2.2%, followed by the Global Dow (1.4%) and the Dow (1.3%). The yield on 10-year Treasuries advanced for the first time in eight sessions. Crude oil prices increased 2.4%, while the dollar dipped lower. Financials, energy, and materials were sectors that climbed at least 2.0% last Friday.

Otherwise, stocks closed the week with mixed returns. The Nasdaq, the Dow, and the S&P 500 closed out the week ahead, while the Global Dow and the Russell 2000 lost value. Treasury yields, crude oil prices, and the dollar declined. Gold increased 1.1% for the week.

The national average retail price for regular gasoline was \$3.122 per gallon on July 5, \$0.031 per gallon higher than the prior week's price and \$0.945 more than a year ago. Gasoline production increased during the week of July 5, averaging 10.6 million barrels per day, up from the prior week's average of 9.6 million barrels per day. U.S. crude oil refinery inputs averaged 16.1 million barrels per day during the week ended July 5; this was 184,000 barrels per day less than the previous week's average. For the week ended July 5, refineries operated at 92.2% of their operable capacity, down from the prior week's level of 92.9%.

Key Dates/Data Releases

7/13: Consumer Price Index, Treasury statement

7/14: Producer Price Index

7/15: Import and export prices, industrial production

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 7/9	Weekly Change	YTD Change
DJIA	30,606.48	34,786.35	34,870.16	0.24%	13.93%
Nasdaq	12,888.28	14,639.33	14,701.92	0.43%	14.07%
S&P 500	3,756.07	4,352.34	4,369.55	0.40%	16.33%
Russell 2000	1,974.86	2,305.76	2,280.00	-1.12%	15.45%
Global Dow	3,487.52	4,032.89	3,998.02	-0.86%	14.64%
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%	1.43%	1.35%	-8 bps	44 bps
US Dollar-DXY	89.84	92.24	92.10	-0.15%	2.52%
Crude Oil-CL=F	\$48.52	\$75.20	\$74.69	-0.68%	53.94%
Gold-GC=F	\$1,893.10	1,789.00	\$1,808.60	1.10%	-4.46%

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

- In June, the services sector noted a marked upturn in business activity, according to the IHS Markit U.S. Services PMI™. The Business Activity Index registered 64.6 in June, down from 70.4 in May. However, the latest expansion in output was the third-fastest since data collection began in October 2009, only slower than recent upturns in May and April, respectively. Rates of output and new order growth eased from May's record highs, however, while capacity constraints meant backlogs of work grew at the quickest rate for 10 months. Meanwhile, input prices increased at the second-fastest rate on record as supplier price hikes and greater wage bills pushed up cost burdens.
- According to the latest Job Openings and Labor Turnover report, the number of job openings in May was little changed at 9.2 million. Job openings increased in other services (+109,000), state and local government education (+46,000), and educational services (+35,000). The number of job openings decreased in arts, entertainment, and recreation (-80,000); state and local government, excluding education (-56,000); and federal government (-17,000). The number of hires dipped slightly in May to 5.9 million from April's 6.0 million. In May, total separations dropped by nearly 500,000 to 5.3 million. The number of layoffs and discharges fell marginally to 1.4 million in May. Over the 12 months ended in May, hires totaled 73.0 million and separations totaled 64.8 million, yielding a net employment gain of 8.2 million.
- For the week ended July 3, there were 373,000 new claims for unemployment insurance, an increase of 2,000 from the previous week's level, which was revised up by 7,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended June 26 was 2.4%, a decrease of 0.1 percentage point from the previous week's revised rate. The advance number of those receiving unemployment insurance benefits during the week ended June 26 was 3,339,000, a decrease of 145,000 from the prior week's level, which was revised up by 15,000. 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 11.5%. 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 June 19 were in Rhode Island (4.6%), Puerto Rico (4.5%), Nevada (4.4%), California (4.0%), Connecticut (3.8%), Illinois (3.6%), Georgia (3.4%), New Jersey (3.4%), New York (3.4%), Alaska (3.2%), and the District of Columbia (3.2%). The largest increases in initial claims for the week ended June 26 were in Puerto Rico (+4,098), New Jersey (+3,381), Massachusetts (+2,845), New York (+1,857), and Connecticut (+1,516), while the largest decreases were in Pennsylvania (-17,664), Kentucky (-7,878), California (-7,643), Texas (-3,998), and Michigan (-2,880).

Eye on the Week Ahead

Inflationary indicators are front and center this week, with the latest reports on the Consumer Price Index and the Producer Price Index. The CPI increased 0.5% in May and is up 5.0% over the past 12 months. The PPI rose 0.8% in May and has climbed 6.6% since May 2020. If inflationary pressures are indeed transitory, as suggested by the Federal Reserve, then prices should begin to weaken somewhat over the next few months.

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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