

Market Week: March 1, 2021



The Markets (as of market close February 26, 2021)

Stocks opened last week mixed to lower. Only the Dow (0.1%) and the Global Dow (0.2%) were able to eke out minimal gains. The Nasdaq plunged 2.5% amid a tech sell-off. The S&P 500 fell for the fifth straight session, dropping 0.8%, and the Russell 2000 lost 0.7%. Energy surged, climbing 3.5%; financials, industrials, materials, and real estate also gained. Information technology (-2.7%) and consumer discretionary (-2.2%) sank. Treasury yields jumped higher. Crude oil prices increased \$2.45 to \$61.69 per barrel.

Large caps improved last Tuesday, lifting both the Dow and the S&P 500 to marginal 0.1% gains. The Global Dow climbed 0.3%. Tech stocks fell, pulling the Nasdaq down 0.5%, while the Russell 2000 gave back 0.9%. Crude oil advanced again, while Treasury yields and the dollar fell. Investors took some solace from Chairman Jerome Powell, who offered assurance that the Federal Reserve would move patiently and offer ample notice before it begins to firm monetary policy. Among the market sectors, energy led the way, adding nearly 1.6%. Only consumer discretionary, health care, and information technology lost value.

Stocks rebounded robustly last Wednesday following Federal Reserve Chair Jerome Powell's reaffirmation that the economy in general, and inflation in particular, have a long way to go before reaching levels sufficient to scale back the accommodative measures currently in place. Encouraging news of an expected rollout of a new COVID vaccine from another manufacturer added to positive vibes for investors. Energy, financials, industrials, and information technology helped drive the benchmark indexes higher. The Russell 2000 climbed 2.4%, followed by the Dow (1.4%), the S&P 500 (1.1%), the Nasdaq (1.0%), and the Global Dow (0.8%). Ten-year Treasury yields advanced, as did crude oil prices, which soared to \$63.30 per barrel. The dollar was generally mixed.

Last Thursday, equities could not follow up on the prior day's gains. Tech shares plunged, and Treasury yields soared to a one-year high as rising interest rates attracted bond buyers, driving prices lower. The Nasdaq fell 3.5%, second only to the Russell 2000, which plummeted 3.7%. The S&P 500 dropped 2.5%, the Dow sank 1.8%, and the Global Dow dipped 0.6%. The yield on 10-year Treasuries surged past 1.5%; both crude oil prices and the dollar gained. All of the market sectors dropped by at least 1.0%, with consumer discretionary (-3.6%) and information technology (-3.5%) tumbling the furthest.

Stocks closed mixed last Friday, with only the Nasdaq and the Russell 2000 posting gains. Long-term Treasury yields and crude oil prices fell, while the dollar gained against a bucket of currencies. Consumer discretionary and information technology were the only sectors to gain. Energy, financials, utilities, real estate and consumer staples each fell more than 1.5%.

Stocks closed the week and the month of February lower. Each of the benchmark indexes listed here lost value last week, headed by the tech stocks of the Nasdaq, followed by the Russell 2000, the S&P 500, the Dow and the Global Dow. Treasury yields, the dollar, and crude oil prices advanced, while gold fell. Among the sectors, only energy (4.5%) climbed. Utilities and consumer discretionary fell 5.0% and 4.9%, respectively. Year to date, each of the indexes remained ahead of their respective 2020 closing values, led by the small caps of the Russell 2000, followed by the Global Dow, the Nasdaq, the S&P 500, and the Dow.

The national average retail price for regular gasoline was \$2.633 per gallon on February 22, \$0.132 per gallon over the prior week's price and \$0.167 higher than a year ago. During the week ended February 19, crude oil refinery inputs averaged 12.2 million barrels per day, which was 2.6 million barrels per day less

Key Dates/Data Releases

3/1: Markit PMI

Manufacturing Index

3/3: Markit PMI Services Index

3/5: Employment situation, international trade in goods and services

than the previous week's average. Refineries operated at 68.6% of their operable capacity last week, down from the prior week's rate of 83.1%.

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 2/26	Weekly Change	YTD Change
DJIA	30,606.48	31,494.32	30,932.37	-1.78%	1.06%
Nasdaq	12,888.28	13,874.46	13,192.35	-4.92%	2.36%
S&P 500	3,756.07	3,906.71	3,811.15	-2.45%	1.47%
Russell 2000	1,974.86	2,266.69	2,201.05	-2.90%	11.45%
Global Dow	3,487.52	3,723.16	3,667.77	-1.49%	5.17%
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%	1.34%	1.46%	12 bps	55 bps
US Dollar-DXY	89.84	90.36	90.91	0.61%	1.19%
Crude Oil-CL=F	\$48.52	\$59.04	\$61.63	4.39%	27.02%
Gold-GC=F	\$1,893.10	\$1,781.10	\$1,731.10	-2.81%	-8.56%

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 second estimate for the fourth-quarter gross domestic product revealed the economy expanded at an annualized rate of 4.1%. GDP increased 33.4% in the third quarter. Personal consumption expenditures, the main component of the report, increased 2.4%. Spending on services (+4.0%) drove the PCE index, as spending on goods fell 0.9%. The personal consumption price index, an indicator of inflationary trends, increased 1.6%, while the index less food and energy advanced 1.4%. Another highlight from the report is the continued growth in both nonresidential and residential fixed investment, which expanded 14.0% and 35.8%, respectively.
- Personal income increased 10.0% in January, while consumer spending increased 2.4% as provisions of the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021 began to take effect. Disposable (after-tax) personal income increased 11.4% in January, while consumer prices inched up 0.3%. Excluding food and energy, consumer prices also rose 0.3%. Over the past 12 months, consumer prices have risen 1.5%.
- The international trade deficit was \$83.7 billion in January, up \$0.5 billion, or 0.7%, from December. Exports of goods for January were \$135.2 billion, \$1.9 billion, or 1.4%, more than December exports. Imports of goods for January were \$218.9 billion, \$2.5 billion, or 1.1%, greater than December imports.
- Continuing a positive trend, sales of new single-family houses rose by 4.3% in January and are up 19.3% over January 2020. The median sales price of new houses sold in January 2021 was \$346,400. The average sales price was \$408,800. Available inventory represents a four-month supply at the current sales pace.
- New orders for durable goods increased for the ninth consecutive month in January, rising 3.4% after advancing 1.2% in December. January's increase in new orders was the largest monthly gain since July 2020. New orders for transportation equipment advanced 7.8%, driving the overall increase in January. Excluding transportation, new orders for durable goods gained a respectable 1.4%. New orders for nondefense capital goods increased 6.5%. Shipments increased 2.0% in January after climbing 2.1% in December. Unfilled orders for durable goods increased 0.1% following seven consecutive monthly decreases. Inventories decreased 0.3% in January.
- For the week ended February 20, there were 730,000 new claims for unemployment insurance, a decrease of 111,000 from the previous week's level, which was revised down by 20,000. According to the Department of Labor, the advance rate for insured unemployment claims was 3.1% for the week ended February 13. For comparison, during the same period last year, there were 220,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 1.2%. The advance number of those receiving unemployment insurance benefits during the week ended February 13 was 4,419,000, a decrease of 101,000 from the prior week's level, which was revised up by 26,000. States and territories with the highest insured unemployment rates in the week ended February 6 were in Illinois (+28,110), Ohio (+6,563), Idaho (+4,764), Kansas (+1,744), and California (+1,664), while the

largest decreases were in Maryland (-9,835), Rhode Island (-6,129), Georgia (-5,854), New Jersey (-4,630), and Texas (-4,234).

Eye on the Week Ahead

The employment figures for February are out this week. January saw only 49,000 new jobs added, while the unemployment rate remained high at 6.3%. On the plus side, average hourly earnings advanced 5.4% for the 12 months ended January 2021.

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. 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 fluctuate 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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