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Market Week: June 28, 2021

The Markets (as of market close June 25, 2021)

Despite hawkish rhetoric from some high-ranking Federal Reserve officials, equities kicked off last week on an upswing, enjoying their biggest rally in several sessions. Energy, financials, and industrials helped push the S&P 500 up 1.4%. The Russell 2000 rebounded from a rough prior week, gaining 2.2%. The Dow gained 1.8%. The Global Dow climbed 1.0%, while the Nasdaq advanced 0.8%. Treasury yields and crude oil prices moved higher, while the dollar dipped.

The Nasdaq set a fresh record last Tuesday as stocks posted solid gains after Federal Reserve Chair Jerome Powell reiterated his views that inflationary pressures will prove to be transitory and that prices will eventually come down. Among the indexes, the Nasdaq climbed 0.8%, followed by the Global Dow (0.6%), the S&P 500 (0.5%), the Russell 2000 (0.4%), and the Dow (0.2%). The market sectors generally advanced, with the exception of real estate and utilities. Treasury yields, the dollar, and crude oil prices fell.

Last Wednesday stocks closed mixed, with the Russell 2000 (0.3%) and the Nasdaq (0.1%) posting modest gains, while the Dow (-0.2%), the S&P 500 (-0.1%), and the Global Dow (-0.1%) dipped lower. Unlike the previous day, 10-year Treasury yields, crude oil prices, and the dollar advanced. Consumer discretionary led the sectors, closing up 0.6%, while utilities, materials, and consumer staples declined.

Both the Nasdaq and the S&P 500 reached record highs last Thursday as strong economic reports and President Joe Biden's bipartisan $579 billion infrastructure deal may have provided optimism to investors that the economy is pushing ahead. The Russell 2000 gained 1.2%, followed by the Dow (1.0%), the Global Dow (0.7%), the Nasdaq (0.7%), and the S&P 500 (0.6%). Financials, communication services, energy, and industrials led the market sectors. Treasury yields and the dollar dipped slightly, while crude oil prices increased marginally.

Stocks closed generally higher last Friday with only the Nasdaq falling minimally. Stocks tied to economic recovery (e.g., consumer staples and consumer discretionary) performed well. The Dow advanced 0.7%, the Global Dow climbed 0.6%, the S&P 500 gained 0.3%, and the Russell 2000 inched up 0.2%. Falling bond prices sent the yield on 10-year Treasuries up 3.3%. Crude oil prices gained nearly 1.0%, while the dollar was essentially unchanged. The market sectors mostly advanced, led by financials and utilities, while information technology fell 0.2%.

The week ended with each of the benchmark indexes posting gains. The small caps of the Russell 2000 led the way, followed by the Dow, the S&P 500, the Global Dow, and the Nasdaq. Year to date, the benchmark indexes listed here are well ahead of their 2020 closing values, with the Russell 2000 up more than 18.0% and the Global Dow ahead by 16.0%. Last week was also a positive one for the major market sectors. Energy (6.7%) and financials (5.3%) gained the most, while utilities advanced less than 1.0%. Crude oil prices continued to surge, increasing 3.6% for the week to nearly $74.00 per barrel. Crude oil prices have risen 52.5% since the start of the year.

The national average retail price for regular gasoline was $3.060 per gallon on June 21, $0.009 per gallon less than the prior week's price but $0.931 higher than a year ago. Gasoline production increased during the week of June 21, averaging 10.3 million barrels per day, up from the prior week's average of 9.9 million barrels per day. U.S. crude oil refinery inputs averaged 16.1 million barrels per day during the week ended June 18; this was 224,000 barrels per day less than the previous week's average. For the week ended June 18, refineries operated at 92.2% of their operable capacity, down from the prior week's level of 92.6%.

Key Dates/Data Releases

7/1: Markit PMI

7/2: Employment situation, international trade in goods and services

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 6/25	Weekly Change	YTD Change
DJIA	30,606.48	33,290.08	34,433.84	3.44%	12.51%
Nasdaq	12,888.28	14,030.38	14,360.39	2.35%	11.42%
S&P 500	3,756.07	4,166.45	4,280.70	2.74%	13.97%
Russell 2000	1,974.86	2,237.75	2,334.40	4.32%	18.21%
Global Dow	3,487.52	3,942.20	4,046.27	2.64%	16.02%
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%	1.45%	1.53%	8 bps	62 bps
US Dollar-DXY	89.84	92.32	91.80	-0.56%	2.18%
Crude Oil-CL=F	$48.52	$71.41	$73.97	3.58%	52.45%
Gold-GC=F	$1,893.10	$1,765.00	$1,780.10	0.86%	-5.97%

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 third and final estimate of first-quarter gross domestic product showed the economy advanced at an annualized rate of 6.4%, unchanged from the second estimate. Personal consumption expenditures (consumer spending) rose 11.4%. The personal consumption expenditures price index (consumer prices) increased 3.7%. Contributing to the increase in GDP were durable goods (+26.6%), nondurable goods (+49.2%), residential fixed investment (+13.1%), nonresidential (business) fixed investment (+11.7%), and nondefense government spending (+45.0%). Exports fell 2.1%, while imports (a negative in the calculation of GDP) rose 9.5%.
- The Personal Income and Outlays report for May includes the personal consumption expenditures price index, an inflationary indicator favored by the Federal Reserve. In May, the PCE price index advanced 0.4% and is up 3.9% from May 2020. Personal income decreased 2.0% in May. Disposable (after-tax) personal income dipped 2.3%, and personal consumption expenditures, a measure of consumer spending, were essentially unchanged from April. The decline in personal income and consumer spending is likely related, in part, to a decrease in government assistance benefits, as both economic impact payments to households and pandemic unemployment compensation decreased.
- Existing-home sales decreased for a fourth straight month in May, according to the National Association of Realtors®. Total sales of existing homes dipped 0.9% last month but are still up 44.6% year over year. Lack of inventory continues to be a primary factor holding back sales, along with surging home prices, which may be squeezing some first-time buyers out of the market. The median existing home price in May was $350,300, up from April's price of $341,600 and well above the May 2020 price of $283,500. Total housing inventory sits at a 2.5-month supply at the present sales pace, up slightly from April's 2.4-month supply. Single-family home sales fell 1.0% in May but are up 39.2% from one year ago. The median existing single-family home price was $356,600 in May, higher than April's price of $347,400.
- Sales of new single-family homes also fell in May, down 5.9% from April but still 9.2% ahead of the May 2020 total. The median sales price of new houses sold in May 2021 was $374,400, 2.5% above the April median sales price. The average sales price was $430,600, 2.3% higher than the April average sales price. Inventory of new single-family homes for sale sat at a 5.1-month supply at the current sales rate, up from 4.6 months in April. The dip in sales of new single-family homes may be attributable to several factors, including an increase in new home construction, rising new home prices, and a predictable slow-down in the pace of sales when compared to last year's surge.
- The manufacturing sector continues to rebound from the pandemic-driven slowdown. New orders for durable goods increased 2.3% in May. This increase, up for 12 of the last 13 months, followed a 0.8% April decrease. Excluding transportation, new orders increased 0.3%. Excluding defense, new orders increased 1.7%. In May, transportation equipment, up 7.6% following two consecutive monthly decreases, led the increase. Shipments of durable goods in May, up for two of the last three months, increased 0.4%. Last month, increasing demand impacted unfilled orders, which increased 0.8%, and inventories, which rose 0.7%. In May, nondefense new orders for capital goods climbed 2.7%, while new orders for defense capital goods climbed 17.4%.

- In May, the international trade in goods (excluding services) deficit widened by $2.4 billion, or 2.8%. Exports of goods dipped by 0.3%, while imports of goods increased 0.8%. For the 12 months ended in May, exports have risen 58.6%, while imports have climbed 39.2%.
- For the week ended June 19, there were 411,000 new claims for unemployment insurance, a decrease of 7,000 from the previous week's level, which was revised up by 6,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended June 12 was 2.4%, a decrease of 0.1 percentage point from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended June 12 was 3,390,000, a decrease of 144,000 from the prior week's level, which was revised up by 16,000. 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 1,460,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 12.4%. 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 5 were in the Virgin Islands (19.5%), Rhode Island (4.8%), Nevada (4.5%), California (3.9%), Connecticut (3.9%), Puerto Rico (3.9%), Alaska (3.7%), Illinois (3.6%), New York (3.6%), and the District of Columbia (3.2%).The largest increases in initial claims for the week ended June 12 were in Pennsylvania (+21,905), California (+15,131), Kentucky (+9,172), Florida (+3,344), and Texas (+3,127), while the largest decreases were in Michigan (-5,615), Delaware (-2,516), Washington (-1,998), Tennessee (-1,746), and Alabama (-1,706).

Eye on the Week Ahead

One of the most closely watched economic indicators is out this week: the employment situation. The labor market has been picking up steam for the past several months. May saw 559,000 new jobs added, while the unemployment rate and the number of unemployed persons dropped. Also of note is the inflationary trend in wages, which have risen 2.0% since May 2020.

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.