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CORBETT ROAD
WEALTH MANAGEMENT

Market Week: August 2, 2021

The Markets (as of market close July 30, 2021)

Equities retreated last week despite strong corporate earnings data. European and Asian stocks slid following China's regulatory crackdown aimed at large tech companies. Although corporate earnings generally have been solid, last Friday's lower-than-expected earnings results from some heavily weighted megacaps may have caused some uncertainty about the pace of economic growth. By the close of last week, tech shares fell, pulling the Nasdaq down 1.1%, with the large caps of the Dow and the S&P 500 each declining 0.4%. The small caps of the Russell 2000 climbed 0.8%, while the Global Dow rose 0.4%. Crude oil prices climbed 2.4% to $73.81 per barrel. Gold prices rose nearly 1.0%, while the dollar dipped 0.8%. The yield on 10-year Treasuries decreased 5 basis points. Materials (2.8%) and energy (1.6%) led the market sectors.

Last week began with each of the benchmark indexes posting gains on Monday, as concerns over the resurgent spread of the coronavirus were outweighed by a positive start to corporate earnings season. The Global Dow added 0.7%, followed by the Russell 2000, which edged up 0.3%. The large caps of the Dow and the S&P 500 each gained 0.2%, while the Nasdaq ticked up by less than 0.1%. Treasury yields and the dollar dipped. Crude oil prices climbed marginally higher. The market sectors were mixed, with energy the clear mover after advancing 2.5%. Among the remaining sectors, communication services, consumer discretionary, and materials gained between 0.7% and 0.9%.

The market reversed course last Tuesday as megacap technology stocks tumbled. The Nasdaq posted its largest decline in nearly two months after slipping 1.2%. The S&P 500 fell 0.5%, while the Dow dipped 0.2%. The small caps of the Russell 2000 lost 1.1% and the Global Dow declined 0.2%. Several global markets dipped lower following China's imposition of a regulatory campaign aimed at the country's largest tech companies. The drop in tech stocks in China may be having a carryover effect on similar stocks in the United States. The sectors finished mostly lower, with information technology and energy falling 1.0%, while consumer discretionary fell 1.2%. Treasury yields, the dollar, and crude oil prices fell.

Stocks closed last Wednesday mixed, with the Russell 2000 (1.5%), the Nasdaq (0.7%), and the Global Dow (0.1%) edging higher, while the large caps of the Dow fell 0.4%. The S&P 500 ended the day essentially unchanged. The dollar dipped lower, while Treasury yields and crude oil prices rose. Energy and communication services led the market sectors, while consumer staples fell. Strong earnings reports and the Federal Reserve's statement that accommodative measures will remain in place for some time helped drive stocks higher. Still, concern remains that the global spread of the COVID-19 Delta variant could slow economic recovery.

Each of the benchmark indexes listed here advanced last Thursday following a favorable gross domestic product report and declining unemployment claims. The Global Dow led the way, climbing 0.9%, followed by the Russell 2000 (0.7%), the Dow and the S&P 500 (0.4%), and the Nasdaq (0.1%). The dollar fell, while crude oil prices and the yield on 10-year Treasuries advanced. Communication services (-0.9%) and real estate (-0.2%) were the only market sectors to decline. Financials and materials led the advancing sectors, each increasing 1.1%.

Key Dates/Data Releases
8/2: Markit PMI
8/4: Markit Services PMI
8/5: International trade in goods and services
8/6: Employment situation

Stocks fell to close the week last Friday, with each of the benchmark indexes losing ground. The Global Dow dipped 0.9%, followed by the Nasdaq (-0.7%), the Russell 2000 (-0.6%), the S&P 500 (-0.5%), and the Dow (-0.4%). The yield on 10-year Treasuries decreased, while the dollar and crude oil prices advanced. Among the sectors, consumer discretionary dropped 2.8% and energy slid 1.8%.

The national average retail price for regular gasoline was $3.136 per gallon on July 26, $0.017 per gallon less than the prior week's price but $0.961 more than a year ago. Gasoline production increased during the week ended July 23, averaging 9.8 million barrels per day, up from the prior week's average of 9.1 million barrels per day. U.S. crude oil refinery inputs averaged 15.9 million barrels per day during the week ended July 23; this was 132,000 barrels per day less than the previous week's average. For the week ended July 23, refineries operated at 91.1% of their operable capacity, down from the prior week's level of 91.4%.

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 7/30	Weekly Change	YTD Change
DJIA	30,606.48	35,061.55	34,935.47	-0.36%	14.14%
Nasdaq	12,888.28	14,836.99	14,672.68	-1.11%	13.85%
S&P 500	3,756.07	4,411.79	4,395.26	-0.37%	17.02%
Russell 2000	1,974.86	2,209.65	2,226.25	0.75%	12.73%
Global Dow	3,487.52	3,966.19	3,981.32	0.38%	14.16%
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%	1.28%	1.23%	-5 bps	32 bps
US Dollar-DXY	89.84	92.88	92.14	-0.80%	2.56%
Crude Oil-CL=F	$48.52	$72.08	$73.81	2.40%	52.12%
Gold-GC=F	$1,893.10	$1,802.10	$1,816.70	0.81%	-4.04%

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 Federal Open Market Committee met last week and noted progress on vaccinations, while indicators of economic activity and employment have continued to strengthen. Inflation has been rising, largely reflecting transitory factors. Despite these positive developments, the Committee noted that financial conditions remain accommodative. In lieu thereof, the Committee decided to maintain the target range for the federal funds rate at 0.00%-0.25%. In addition, the Committee will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward its maximum employment and price stability goals.
- The initial, or advance, estimate of second-quarter gross domestic product showed the pace of economic growth was little changed at 6.5%, up marginally from the 6.3% annualized growth rate of the first quarter. Consumer spending, up 11.8%, was the largest contributor to the second-quarter growth. Consumer spending on services (led by food services and accommodations) rose 12.0% as the economy continued to reopen. Current-dollar GDP increased 13.0% at an annual rate, or $684.4 billion, in the second quarter to a level of $22.72 trillion. In the first quarter, current-dollar GDP increased 10.9%, or $560.6 billion. Consumer prices, as measured by the personal consumption price index, increased 6.4% in the second quarter, compared to a first-quarter increase of 3.8%. Excluding food and energy prices, the PCE price index increased 6.1%, compared to an increase of 2.7% in the first quarter. Personal income decreased 22.0% in the second quarter, reflective of a decrease in government social benefits related to pandemic relief programs.
- Inflationary pressures may indeed prove to be transitory, but prices for consumer goods and services continue to rise. According to the latest Personal Income and Outlays report from the Bureau of Economic Analysis, consumer prices increased 0.5% in June following a similar increase the prior month. Energy prices rose 24.2%, while food prices increased 0.9%. Consumer prices have increased 4.0% since June 2020. Prices, excluding volatile food and energy, rose 0.4% in June and are up 3.5% over the past 12 months. Personal income inched up 0.1% in June after declining 2.2% in May, due in part to a decrease in pandemic-related government benefits. The June increase in personal income is reflective of an increase in employee compensation. Consumer spending rose 1.0% in June.

- Sales of new, single-family homes dipped 6.6% in June, according to the latest figures from the Census Bureau. The median sales price of new houses sold in June 2021 was $361,800 ($380,700 in May). The average sales price was $428,700 ($434,000 in May). Inventory of new, single-family homes for sale increased to 6.3 months, up from 5.5 months in May. New home sales are 19.4% below the June 2020 estimate.
- New orders for durable goods increased 0.8% in June, the thirteenth monthly increase out of the last 14 months. Transportation equipment, up for two consecutive months, led the increase, gaining 2.1% in June. Excluding transportation, new orders increased 0.3%. Excluding defense, new orders increased 1.0%. Shipments (+1.0%), unfilled orders (+0.9%), and inventories (+0.9%) advanced in June. New orders for nondefense capital goods, which are used in the production of other goods, increased 3.1% in June. New orders for defense capital goods decreased 1.5% in June.
- Both imports and exports of goods increased in June, further deepening the international trade in goods deficit. The June trade deficit rose $3.0 billion from May, or 3.5%. Exports climbed $0.5 billion, or 0.3%. Imports increased $3.5 billion, or 1.5%. The trade in goods deficit has risen 28.2% since June 2020. Exports are up 40.6% and imports have advanced 35.5%.
- For the week ended July 24, there were 400,000 new claims for unemployment insurance, a decrease of 24,000 from the previous week's level, which was revised up by 5,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended July 17 was 2.4%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended July 17 was 3,269,000, an increase of 7,000 from the prior week's level, which was revised up by 26,000. For comparison, during the same period last year, there were 1,262,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 11.6%. 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 10 were Puerto Rico (5.2%), California (4.4%), Nevada (4.3%), New Jersey (3.8%), Rhode Island (3.8%), Illinois (3.7%), New York (3.5%), Pennsylvania (3.5%), Connecticut (3.4%), and the District of Columbia (3.2%). The states and territories with the largest increases in initial claims for the week ended July 17 were Michigan (+13,547), Texas (+10,730), Kentucky (+8,945), Missouri (+6,056), and Illinois (+3,915), while states and territories with the largest decreases were New York (-10,727), Puerto Rico (-3,904), Tennessee (-3,510), Oklahoma (-3,393), and Georgia (-1,870).

Eye on the Week Ahead

Purchasing managers surveys on the manufacturing and services sectors for July are out this week. But most attention will be paid to the July employment figures, out this Friday. There were 850,000 new jobs added in June. Overall, there were 1.7 million new jobs added over the second quarter of 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. 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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