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Market Week: June 21, 2021



The Markets (as of market close June 18, 2021)

Stocks opened the week with mixed returns: The Dow, the Russell 2000, and the Global Dow lost value, while the Nasdaq and the S&P 500 rose. Tech shares and consumer services closed higher, while financials and materials fell. Anticipating the Federal Open Market Committee meeting later in the week, investors may have been waiting for cues from the FOMC on its inflation outlook. Yields on 10-year Treasuries advanced. Crude oil prices pushed passed \$71.00 per barrel. The dollar was mixed to lower.

Last Tuesday saw stocks close mostly lower. The Nasdaq (-0.7%) and the S&P 500 (-0.2%) retreated from the previous day's gains, while the Dow and the Russell 2000 dipped -0.3%. The Global Dow was unchanged. Among the sectors, energy jumped 2.1%, industrials rose 0.5%, and utilities gained 0.4%. The remaining sectors fell. Crude oil prices climbed above \$72.00 per barrel, the dollar was unchanged, while Treasury yields ticked slightly lower.

On Wednesday, Treasury yields climbed higher and stock prices fell as investors may have been influenced by the Federal Reserve's projection that interest-rate increases may be coming in 2023. Each of the benchmark indexes listed here fell, with the Global Dow and the Dow dropping 0.8%. The S&P 500 dipped 0.5%, while the Russell 2000 and the Nasdaq lost 0.2%. The dollar advanced, while crude oil prices declined but remain close to \$72.00 per barrel. Consumer discretionary was the only sector to gain, inching up 0.2%. Utilities, consumer staples, industrials, and materials each declined by at least 1.0%.

Tech shares pushed the Nasdaq 0.9% higher last Thursday, the only benchmark index to post a gain on the day. The Global Dow (-1.4%), the Russell 2000 (-1.2%), and the Dow (-0.6%) lost ground, while the S&P 500 closed slightly in the red. Treasury yields dipped as did crude oil prices. The dollar advanced nearly 1.0%. The market sectors were mixed. Besides technology, health care, consumer discretionary, communication services, real estate, and utilities gained, while energy, financials, materials, and industrials fell.

Stocks fell across the board last Friday as a Federal Reserve official suggested that interest rates may be increasing sooner than anticipated due to a faster-than-expected rise in inflation. The Russell 2000 dropped 2.2%, followed by the Global Dow (-2.0%), the Dow (-1.6%), the S&P 500 (-1.3%), and the Nasdaq (-0.9%). Treasury bond prices rose driving the yield on 10-year Treasuries below 1.50%. The dollar and crude oil prices advanced on the day. Each of the market sectors decreased, with energy, utilities, and financials falling more than 2.5%.

The week ended with each of the benchmark indexes losing ground. The small caps of the Russell 2000 fell the furthest, followed by the Global Dow, the Dow (which dropped for the fifth consecutive session), the S&P 500, and the Nasdaq. Among the sectors, financials and materials lost more than 6.0%, energy fell over 5.0%, and industrials dipped nearly 4.0%. The dollar and crude oil prices advanced, 10-year Treasury yields closed down 1.0 basis point, and gold prices ended a run of positive weekly gains, plunging 6.0%.

The national average retail price for regular gasoline was \$3.069 per gallon on June 14, \$0.034 per gallon more than the prior week's price and \$0.971 higher than a year ago. U.S. crude oil refinery inputs averaged 16.3 million barrels per day during the week ended June 11; this was 412,000 barrels per day more than the previous week's average. For the week ended June 11, refineries operated at 92.6% of their operable capacity, up from the prior week's level of 91.3%. Gasoline production increased during the week of June 14, averaging 9.9 million barrels per day, up from the prior week's average of 9.4 million barrels per day.



Key Dates/Data Releases

6/22: Existing home sales

6/23: New home sales

6/24: Durable goods orders, GDP, international trade in goods

6/25: Personal income and outlays


Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 6/18	Weekly Change	YTD Change
DJIA	30,606.48	34,479.60	33,290.08	-3.45%	8.77%
Nasdaq	12,888.28	14,069.42	14,030.38	-0.28%	8.86%
S&P 500	3,756.07	4,247.44	4,166.45	-1.91%	10.93%
Russell 2000	1,974.86	2,335.81	2,237.75	-4.20%	13.31%
Global Dow	3,487.52	4,091.55	3,942.20	-3.65%	13.04%
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%	1.46%	1.45%	-1 bps	54 bps
US Dollar-DXY	89.84	90.52	92.32	1.99%	2.76%
Crude Oil-CL=F	\$48.52	\$70.78	\$71.41	0.89%	47.18%
Gold-GC=F	\$1,893.10	\$1,877.80	\$1,765.00	-6.01%	-6.77%

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

- Following its meeting last week, the Federal Open Market Committee offered no definitive changes to its policy stance and view of the economy. However, the Committee's projections anticipate two interest-rate hikes by the end of 2023. The FOMC statement noted that progress on vaccinations has reduced the spread of COVID-19, and indicators of economic activity and employment have strengthened. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses. The Committee acknowledged that inflation has risen, largely reflecting transitory factors. Since inflation has run below the 2.0% rate for quite some time, the Committee will aim to achieve inflation moderately above 2.0% for some time so that inflation averages 2.0% over time and will remain at that rate for the longer term. The Committee decided to keep the target range for the federal funds rate at 0.00%-0.25% and expects that it will maintain that target range until the labor market reaches maximum employment and inflation has risen to 2.0% and is on track to moderately exceed that rate for some time. In addition, the Federal Reserve 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.
- Prices at the producer level jumped 0.8% in May and are up 6.6% since May 2020, the largest 12-month increase since data was first calculated in November 2010. Goods prices increased 1.5%, while prices for services rose 0.6%. Prices less foods, energy, and trade services increased 0.7% in May, the same as in April. For the 12 months ended in May, prices less foods, energy, and trade services climbed 5.3%, the largest increase since August 2014. Last month, energy prices increased 2.2% and food prices rose 2.6%.
- Retail sales dipped 1.3% in May but have risen 28.1% since May 2020. Retail trade sales were down 1.7% in May but are up 24.4% over the 12 months ended in May. Clothing and clothing accessories stores increased 3.0% in May and are up 200.3% from May 2020, while food services and drinking places sales climbed 1.8% in May and are up 70.6% from May 2020. Nonstore (online) retail sales fell 0.8% in May but have advanced 7.9% since May 2020.
- Industrial production increased 0.8% in May after inching up 0.1% the previous month, providing further evidence that the economy is picking up steam following pandemic-related restrictions. Manufacturing production advanced 0.9%, reflecting, in part, a large gain in motor vehicle assemblies. Factory output, excluding motor vehicles and parts, increased 0.5%. The indexes for mining and utilities rose 1.2% and 0.2%, respectively. Total industrial production was 16.3% higher than it was a year earlier but 1.4% lower than its pre-pandemic (February 2020) level.
- The number of residential building permits issued in May was 3.0% less than the April total. Building permits for single-family homes have fallen in three of the last four months after decreasing 1.6% in May. Overall, issued building permits are 34.9% above the May 2020 rate. Housing starts increased 3.6% in May and are 50.3% above the May 2020 pace. Housing completions fell 4.1% last month but are 16.1% over the May 2020 figure. Single-family housing completions in May were 2.6% below the April rate but are 17.0% ahead of the May 2020 total.

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- Import prices rose 1.1% in May following a 0.8% increase in April. Over the 12 months ended in May, prices for imports have risen 11.3%, the largest 12-month rise since a 12.7% increase for the 12 months ended in September 2011. Fuel import prices climbed 4.0% in May and have increased 109.6% since May 2020. Nonfuel import prices advanced 0.9% last month, led by industrial supplies and materials, consumer goods, and automotive vehicles. Export prices rose 2.2% last month after increasing 1.1% in April. Export prices are up 17.4% from May 2020, the largest yearly gain since September 1983. Agricultural prices rose 6.1% and nonagricultural export prices rose 1.7% last month.
 - The number of new claims for unemployment insurance benefits increased following six consecutive weekly decreases. For the week ended June 12, there were 412,000 new claims for unemployment insurance, an increase of 37,000 from the previous week's level, which was revised down by 1,000. Despite increasing from the previous week, last week's total is still 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 for the week ended June 5 was 2.5%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended June 5 was 3,518,000, an increase of 1,000 from the prior week's level, which was revised up by 18,000. For comparison, during the same period last year, there were 1,472,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 13.0%. 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 May 29 were in Nevada (4.6%), Rhode Island (4.5%), Alaska (3.9%), Pennsylvania (3.9%), California (3.6%), Connecticut (3.6%), New York (3.6%), Illinois (3.5%), Puerto Rico (3.5%), and the District of Columbia (3.3%). The largest increases in initial claims for the week ended June 5 were in Illinois (+5,715), Ohio (+2,296), Delaware (+1,720), and Tennessee (+1,159), while the largest decreases were in Pennsylvania (-23,633), California (-19,120), Oklahoma (-3,788), Texas (-3,299), and New Jersey (-2,985).

Eye on the Week Ahead

The final estimate of the first-quarter gross domestic product is out this week. So far, available data suggests GDP grew at an annualized rate of 6.4% in the first quarter. Also out this week are the May reports on new and existing home sales. Existing home sales fell 2.7% in April, while sales of new single-family homes declined 5.9%. May data on personal income and consumer prices is out at the end of the week. Personal income dipped 13.1% in April, although the personal consumption expenditures price index, an inflation indicator of particular relevance to the Federal Reserve, rose 0.6% in April and was up 3.6% since April 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.



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