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Market Week: April 19, 2021

The Markets (as of market close April 16, 2021)

Stocks ended the first day of trading last week in the red, falling from their record highs of the prior week, as investors await the start of corporate earnings season. Among the indexes, both the Russell 2000 and the Nasdaq (-0.4%) led the decline, followed by the Dow (-0.2%), the Global Dow (-0.1%), and the S&P 500, which broke even on the day. Treasury yields inched higher, while the dollar dipped. Crude oil prices rose, but remained below $60.00 per barrel. Market sectors were mixed, with consumer discretionary, real estate, and consumer staples pushing higher, while energy, communication services, and information technology fell.

Tech shares pushed the Nasdaq up 1.1% last Tuesday. The S&P 500 gained 0.3% and the Global Dow inched up 0.1%. The Russell 2000 and the Dow dipped lower. Yields on 10-year Treasuries dropped more than 3.0%, the dollar sank for the second consecutive day, while crude oil prices rose to over $60.00 per barrel. Information technology, consumer discretionary, utilities, real estate, and health care gained, while industrials, energy, materials, consumer staples, and communication services declined.

Last Wednesday saw tech stocks retreat from their surge the prior day. Stocks were otherwise mixed, with the Nasdaq (1.0%) and the S&P 500 (0.4%) lagging, while the Russell 2000 (0.8%), the Global Dow (0.7%), and the Dow (0.2%) posted gains. Treasury yields and crude oil prices advanced. the dollar dipped. Energy led the sectors, gaining 2.9%, with financials, materials, and utilities climbing modestly. Consumer discretionary and information technology each fell 1.2%.

Stocks reached record highs last Thursday, while Treasury yields fell by the most since February. Strong economic reports, headlined by record retail sales in March coupled with a significant drop in weekly unemployment claims, offered signs that economic recovery from the pandemic is accelerating. The Nasdaq (1.3%), the S&P 500 (1.1%), and the Dow (0.9%) each reached all-time highs. Yields on 10-year Treasuries plunged 6.6%. Crude oil prices continued to increase, while the dollar was mixed. Only energy failed to close the day in the black as each of the remaining market sectors advanced, led by real estate (1.95%), information technology (1.8%), and health care (1.7%).

Equities closed last week on an upswing, with each of the benchmark indexes gaining ground. The S&P 500 led the way, climbing 1.1% to reach yet another record high. The Dow gained 0.9% and the Global Dow advanced 0.6%. The Russell 2000 added 0.4%, while the Nasdaq inched up 0.1%. The yield on 10-year Treasuries plunged 6.6%, while the dollar and crude oil prices dipped. Most of the market sectors advanced last Friday, led by materials, utilities, consumer discretionary, and health care. Energy underperformed, falling nearly 1.0%.

Last week, investors were confronted with a pause in the distribution of the Johnson & Johnson COVID-19 vaccine, the potential for rising inflation, and the likelihood of higher taxes to offset the burgeoning government budget deficit. Nevertheless, strong first-quarter corporate earnings reports coupled with positive economic reports provided enough encouragement for investors to continue to trade. Each of the benchmark indexes advanced last week. A strong performance by Chinese stocks helped push the Global Dow up 1.5%, followed by the Nasdaq, the S&P 500, the Dow, and the Russell 2000. Prices for Treasuries climbed, driving yields lower. Crude oil prices pushed well past $60.00 per barrel, gold prices rose, while the dollar fell. Utilities, materials, health care, real estate, and consumer discretionary each gained at least 2.0% on the week to lead the market sectors. The Russell 2000 continues to lead the indexes, year to date,

Key Dates/Data Releases
4/22: Existing home sales
4/23: New home sales

followed by the Global Dow, the Dow, the S&P 500, and the Nasdaq.

The national average retail price for regular gasoline was $2.849 per gallon on April 12, $0.008 per gallon less than the prior week's price but $0.996 higher than a year ago. U.S. crude oil refinery inputs averaged 15.1 million barrels per day during the week ended April 9, which was 7,000 barrels per day more than the previous week's average. Refineries operated at 85.0% of their operable capacity last week. Gasoline production increased last week, averaging 9.6 million barrels per day.

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 4/16	Weekly Change	YTD Change
DJIA	30,606.48	33,800.60	34,035.99	0.70%	11.21%
Nasdaq	12,888.28	13,900.19	14,052.34	1.09%	9.03%
S&P 500	3,756.07	4,128.80	4,170.42	1.01%	11.03%
Russell 2000	1,974.86	2,243.47	2,257.07	0.61%	14.29%
Global Dow	3,487.52	3,886.05	3,943.80	1.49%	13.08%
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%	1.66%	1.53%	-13 bps	62 bps
US Dollar-DXY	89.84	92.16	91.54	-0.67%	1.89%
Crude Oil-CL=F	$48.52	$59.36	$63.37	6.76%	30.61%
Gold-GC=F	$1,893.10	$1,743.50	$1,764.90	1.23%	-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

- Inflationary pressures are definitely mounting. The Consumer Price Index for March rose 0.6% after climbing 0.4% in February. The March increase was the largest one-month rise since August 2012. Over the last 12 months, the CPI has risen 2.6%. Gas prices rose 9.1% last month, accounting for nearly half of the overall CPI advance. In March, energy prices climbed 5.0%, transportation services rose 1.8%, while food and shelter prices advanced marginally (0.1% and 0.3%, respectively).
- In a clear sign of economic recovery from the impact of the pandemic, retail sales surged in March, climbing 9.8% from February's estimates. Retail sales are up 27.7% above March 2020. Retail trade sales advanced 9.4% in March. Most businesses experienced a rise in sales last month, with noteworthy advances in sporting goods, hobby, musical instrument, and book stores (23.5%); clothing and clothing accessories stores (18.3%); motor vehicle and parts dealers (15.1%); and food services and drinking places (13.4%). Since March 2020, sales at clothing and clothing accessories stores rose 101.1%; sporting goods, hobby, musical instrument, and book store sales climbed 73.5%; and motor vehicle and parts dealers sales advanced 71.1%.
- Trade prices continued to rise in March. Import prices advanced 1.2% last month. Imports increased 6.9% from March 2020 to March 2021, the largest over-the-year advance since a 6.9% rise for the year ended January 2012. Import fuel prices rose 6.3% in March and have risen 54.3% for the year ended in March, the largest 12-month advance since a 68.9% increase in February 2017. Prices for nonfuel imports rose 0.8% in March and are up 3.8% for the 12 months ended in March, the largest such increase since nonfuel prices increased 4.8% for the 12 months ended in October 2011. Export prices increased 2.1% in March and have advanced 9.1% from March 2020, the largest 12-month increase since prices rose 9.4% for the comparable period ended in September 2011. Agricultural export prices rose 2.4% in March, while nonagricultural export prices climbed 2.0%.
- Through six months of fiscal year 2021, the federal government deficit sits at $1.7 trillion, $963.0 billion, or 130%, higher than the deficit over the same period in fiscal year 2020. The budget deficit in March was $659.6 billion, $348.7 billion greater than the February deficit. Government expenditures in March included $339.0 billion in economic impact payments authorized by the American Rescue Plan Act of 2021. Outlays for income security (e.g., retirement and disability insurance, unemployment compensation) increased to $1.0 trillion for the 2021 fiscal year, 243% above the outlays for the comparable period during the prior fiscal year.
- Industrial production recovered from a February dip to advance 1.4% in March. For the first quarter of 2021, total industrial production rose 2.5%. In March, total industrial production was 1.0% higher than its

year-earlier level, but it was 3.4% below its pre-pandemic (February 2020) level. Last month, manufacturing production and mining output increased 2.7% and 5.7%, respectively. The output of utilities dropped 11.4%, as the demand for heating fell because of a swing in temperatures from an unseasonably cold February to an unseasonably warm March.

- New home construction picked up the pace in March after lagging in February. Building permits jumped 2.7% last month and were 30.2% higher than the March 2020 rate. Building permits for single-family homes increased 4.6% in March. Housing starts surged 19.4% over their February rate and were 37.0% above last year's estimates. Single-family housing starts increased 15.3% in March. Housing completions jumped 16.6% last month and were 23.4% over their March 2020 pace. Completions of single-family homes rose 5.3% over their February totals.
- For the week ended April 10, there were 576,000 new claims for unemployment insurance, a significant decrease of 193,000 from the previous week's level, which was revised up by 25,000. This is 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 was 2.7% for the week ended April 3, an increase of 0.1 percentage point from the previous week's rate. For comparison, during the same period last year, there were 4,869,000 initial claims for unemployment insurance, and the insured unemployment claims rate surged to 8.4% as the effects of the pandemic continued to impact the labor market. The advance number of those receiving unemployment insurance benefits during the week ended April 3 was 3,731,000, an increase of 4,000 from the prior week's level, which was revised down by 7,000. States and territories with the highest insured unemployment rates in the week ended March 27 were in Nevada (5.2%), Connecticut (5.0%), Alaska (4.7%), Pennsylvania (4.6%), Illinois (4.3%), New York (4.1%), Rhode Island (4.0%), District of Columbia (3.9%), Massachusetts (3.8%), and California (3.7%). The largest increases in initial claims for the week ended April 3 were in California (+39,136), New York (+16,771), Oklahoma (+4,615), Michigan (+3,364), and Tennessee (+3,257), while the largest decreases were in Alabama (-13,318), Ohio (-9,358), Georgia (-5,659), Kentucky (-3,415), and Texas (-3,325).

Eye on the Week Ahead

The housing sector is front and center this week with the release of the March figures for sales of both new and existing homes. The housing market took a notable dip in February following several months of burgeoning results. Existing home sales plunged 6.6% in February and new home sales sank 18.2%. As inventory of available homes for sale increases, the pace of sales is expected to ramp up again.

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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