## The Markets (as of market close May 14, 2021)

Tech and growth shares fell last Monday, as inflation worries drove stocks lower and commodity prices higher. The Dow (0.2%) and the Global Dow (0.5%) advanced, while the Russell 2000 and the Nasdaq each fell 2.6%. The S&P 500 lost 0.7%. Treasury yields and the dollar gained. Crude oil prices dipped. Among the market sectors, information technology was the hardest hit, decreasing 2.5%, followed by consumer discretionary (-2.0%) and communication services (-1.9%). Utilities (1.0%) and consumer staples (0.8%) fared best.

Stocks slid for a second consecutive day last Tuesday, pulled lower by falling energy, financial, and industrial shares. The Global Dow lost 1.6%, the Dow fell 1.4%, the S&P 500 dipped 0.9%, and the Russell 2000 dropped 0.3%. The Nasdaq finished essentially unchanged. Treasury yields climbed 1.4%, crude oil prices rose 0.8%, and the dollar was mixed. Only materials gained ground among the sectors. Much of the market movement of late seems to be driven by wavering sentiment over whether inflationary pressures are about to ratchet up. Another concern centers around labor shortages as the economy reopens, which could cause supply-chain disruptions.

Equities sank last Wednesday as a higher-than-expected Consumer Price Index for April (see below) again raised concerns of mounting inflationary pressure. The Russell 2000 lost 3.4%, the Nasdaq dropped 2.7%, the S&P 500 fell 2.1%, the Dow lost 2.0%, and the Global Dow decreased 1.2%. Treasury yields rose, with the yields on 10-year Treasuries advancing 4.4%. Crude oil prices and the dollar increased. Energy was unchanged, while the remaining sectors declined, with communication services, consumer discretionary, industrials, information technology, materials, real estate, and utilities each falling at least 2.0%.

Last Thursday saw stocks rebound, ending a three-day decline. The Russell 2000 led the advance, climbing 1.7%, followed by the Dow (1.3%), the S&P 500 (1.2%), the Nasdaq (0.7%), and the Global Dow (0.1%). Treasury yields, crude oil prices, and the dollar fell. Industrials and financials each advanced 1.9%, closely followed by utilities (1.8%), as each of the market sectors rose except energy, which fell 1.4%.

Last Thursday's rebound carried over to Friday on a surge in energy and information technology shares. The Nasdaq jumped 2.3%, followed by the Russell 2000 (2.5%), the

Global Dow (1.5%), the S&P 500 (1.5%), and the Dow (1.1%). The yield on 10-year Treasuries dropped, the dollar slipped, and crude oil prices advanced.

Despite a late-week rally, stocks weren't able to recover from the losses suffered earlier in the week. Each of the benchmark indexes listed here fell, led by the Nasdaq, which dropped 2.3%, and the Russell 2000, which slid 2.1%. Investor confidence on a continued economic recovery supported by Federal Reserve stimulus has been shaken recently. April saw both consumer and producer prices continue to climb higher than forecast, and jobless claims are declining. While some investors opine that the surge in inflation is a reaction to the reopening of the economy, many others are concerned that inflationary pressures may persist. Among the market sectors, only consumer staples, materials, and financials added value. Crude oil prices continued to climb, advancing 1.0% last week and 35.0% since the beginning of January.

The national average retail price for regular gasoline was $2.961 per gallon on May 10, $0.071 per gallon more than the prior week's price and $1.110 higher than a year ago. U.S. crude oil refinery inputs averaged 15.0 million barrels per day during the week ended May 7, which was 223,000 barrels per day more than the previous week's average. Refineries operated at 86.1% of their operable capacity last week. Gasoline production increased last week, averaging 9.6 million barrels per day, up from the prior week's average of 9.1 million barrels per day.

## Stock Market Indexes

| Market/Index | 2020 Close | Prior Week | As of 5/14 | Weekly Change | YTD Change |
|---|---|---|---|---|---|
| **DJIA** | 30,606.48 | 34,777.76 | 34,382.13 | -1.14% | 12.34% |
| **Nasdaq** | 12,888.28 | 13,752.24 | 13,429.98 | -2.34% | 4.20% |
| **S&P 500** | 3,756.07 | 4,232.60 | 4,173.85 | -1.39% | 11.12% |
| **Russell 2000** | 1,974.86 | 2,271.63 | 2,224.63 | -2.07% | 12.65% |
| **Global Dow** | 3,487.52 | 4,061.26 | 4,030.55 | -0.76% | 15.57% |

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|---|---|---|---|---|---|
| **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% | 1.57% | 1.63% | 6 bps | 72 bps |
| **US Dollar-DXY** | 89.84 | 90.22 | 90.30 | 0.09% | 0.51% |
| **Crude Oil-CL=F** | $48.52 | $64.89 | $65.51 | 0.96% | 35.02% |
| **Gold-GC=F** | $1,893.10 | $1,831.50 | $1,844.00 | 0.68% | -2.59% |

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 latest Consumer Price Index report for April probably won't help to quiet fears of rising inflation. The CPI increased 0.8% in April following a 0.6% rise in March. Over the last 12 months, the index increased 4.2%. This is the largest 12-month increase since a 4.9% increase for the period ended September 2008. The index for used cars and trucks rose 10.0% in April. This was the largest one-month increase since the series began in 1953, and it accounted for over a third of the overall CPI increase. The index for all items less food and energy rose 0.9% in April, its largest monthly increase since April 1982. Along with the increase in used car and truck prices, all the other major components of the CPI rose except for energy prices, which dipped 0.1% as gas prices decreased in April but are still 25.1% higher than a year ago.

- Producer prices climbed 0.6% in April, advancing for the fifth consecutive month. Producer prices have increased 6.2% for the 12 months ended in April, the largest advance since November 2010, the first month that 12-month data was collected. Services and goods each 0.6% in April. Producer prices less foods, energy, and trade services rose 0.7% in April following an increase of 0.6% in March. For the 12 months ended in April, prices less foods, energy, and trade services moved up 4.6%, the largest advance since 12-month data was first calculated in August 2014.

- Sales at the retail level were virtually unchanged in April from the previous month. However, retail sales in April were 51.2% above sales in April 2020. Retail trade sales in April 2021 were down 0.3% from March 2021, but up 46.1% from April 2020. Clothing and clothing accessories stores were up 726.8% from April 2020, while food services and drinking places were up 116.8% from last year.

- The federal budget deficit was $225.6 billion in April, well below the March deficit of $659.6 billion. Through the first seven months of the fiscal year, the total government deficit sits at $1,931.8 trillion, 30% higher than the budget deficit over the same period last fiscal year.

- U.S. import prices advanced 0.7% in April following a 1.4% increase in March, while prices for U.S. exports increased 0.8% in April after rising 2.4% the previous month. In April, a 0.7% rise in nonfuel import prices and a 0.5% increase in fuel prices both contributed to the overall advance. U.S. import prices rose 10.6% from April 2020 to April 2021, the largest over-the-year increase since an 11.1% advance for the year ended October 2011. Higher prices for nonfuel industrial supplies and materials; foods, feeds, and beverages; capital goods; and automotive vehicles all contributed to the April rise in nonfuel import prices. Import petroleum rose 1.2% in April. Import fuel prices advanced 126.5% over the past year, the largest 12-month increase since a 145.1% rise for the year ended in February 2000. Prices for petroleum and natural gas also advanced for the year ended in April, rising 133.7% and 59.6%, respectively. Prices for agricultural exports advanced 0.6% in April and 25.2% for the year ended in April, the largest 12-month advance since a 26.4% in July 2011. Prices for nonagricultural exports advanced 0.9% in April, led by higher prices for nonagricultural industrial supplies and materials, capital goods, and automotive vehicles, which more than offset lower prices for consumer goods.

- In April, manufacturing rose 0.4%, mining advanced 0.7%, and utilities increased 2.6%, each of which helped to drive total industrial production up

0.7%. Total industrial production has moved up 16.5% from its level in April 2020, but it is 2.7% below its February 2020 pre-pandemic level.

- The latest Job Openings and Labor Turnover report for March revealed the largest number of job openings, at 8.1 million, in the history of the survey, which began in December 2000. The number of hires rose by 3.7% to 6.0 million. Total separations fell from 5.4 million in February to 5.3 million in March. Within separations, the quits rate was unchanged at 2.4%, while the layoffs and discharges rate decreased to a series low of 1.0%. Over the 12 months ended in March, hires totaled 73.2 million and separations totaled 69.9 million, yielding a net employment gain of 3.3 million.

- For the week ended May 8, there were 473,000 new claims for unemployment insurance, a decrease of 34,000 from the previous week's level, which was revised up by 9,000. 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 2.6% for the week ended May 1, a decrease of 0.1 percentage point from the previous week's revised rate. The advance number of those receiving unemployment insurance benefits during the week ended May 1 was 3,655,000, a decrease of 45,000 from the prior week's level, which was revised up by 10,000. For comparison, during the same period last year, there were 2,315,000 initial claims for unemployment insurance, and the insured unemployment claims rate was 14.3%. 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 April 24 were in Nevada (6.4%), Connecticut (4.9%), Rhode Island (4.6%), Alaska (4.5%), Vermont (4.5%), Illinois (4.4%), Puerto Rico (4.4%), New York (4.2%), Pennsylvania (4.0%), and the District of Columbia (3.6%). The largest increases in initial claims for the week ended May 1 were in Kentucky (+4,714), New Jersey (+2,002), Delaware (+1,294), Vermont (+1,142), and Puerto Rico (+824), while the largest decreases were in Virginia (-25,125), New York (-9,533), Florida (-8,252), California (-7,840), and Oklahoma (-6,392).

## Eye on the Week Ahead

Housing data for April is available this week. Building permits and housing starts shot higher in March, however the April figures may not be quite as robust. April figures for sales of existing homes are also out this week. Existing-home sales dipped in March for the second consecutive month. Relatively low inventory coupled with an uptick in new-home construction may be the primary reasons for the lag in sales of existing homes.

*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](http://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. Content provided by Broadridge Investor Communications, Inc.*