

MARKET VIEW WEEKLY

August 13th, 2021



ECONOMIC REVIEW¹

- The Job Openings and Labor Turnover Survey (JOLTS) exceeded expectations in June, adding 590k openings from the previous month, and is now at a record high of 10.073 million openings
- The Consumer Price Index (CPI) was in line with economists' expectations in July, as the month-over-month reading came in at 0.5% and the year-over-year reading came in at 5.4%
- The Producer Price Index (PPI) came in above expectations in July, with the month-over-month reading coming in at 1.0% compared to an estimated increase of 0.6%
 - Producer prices are up 7.8% year-over-year in July, up from 7.3% in June
- The University of Michigan Consumer Sentiment Index was well below consensus, with the preliminary reading for August coming in at 70.2 versus expectations of 81.2

INSIGHT: The labor market continues to surprise, as there are now more job openings than those who are unemployed. As children go back to school as the summer ends, and unemployment benefits expire, there could be significant improvement in employment in the coming months. In addition, while inflation data was mixed this week, price pressures remain elevated. While the Fed has remained steadfast on its intentions to hold rates steady and hold off on tapering, recent data suggests a change in policy may need to come sooner rather than later. As producer's prices increase, they may pass these increases through to the consumer through the final product. Lastly, consumer sentiment was well below expectations, reaching its lowest levels since the pandemic began. This decrease can be attributed to the uncertainty of the Delta Variant and how it may impact the future of the economy.



A LOOK FORWARD¹

- Retail Sales will be released on Tuesday, with economists' forecasting a decrease of -0.2% for the month of July
- Building Permits will be released on Thursday, with economists' calling for an increase of 1.0%
- Housing starts will also be released on Thursday, with an expected decrease of -2.3% from the prior reading

INSIGHT: As new cases continue to surge as a result of the delta variant and inflation remains a concern, consumer confidence has dipped, but retail sales for the month of July will provide some insight into the health of the consumer. Economists' have forecasted a contraction in sales for the month of July, which can be expected as retail sales tend to decline during the summer. Additionally, housing market data is expected to be mixed this week, with building permits expected to come in stronger for the month of July, while housing starts are expected to decrease.

MARKET UPDATE

Market Index Returns as of 8/13/21 ¹	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.75%	4.13%	20.02%	34.48%	18.71%	17.61%
NASDAQ	-0.07%	2.26%	15.47%	35.19%	24.92%	24.39%
Dow Jones Industrial Average	0.94%	3.10%	17.31%	29.75%	14.66%	16.47%
Russell Mid-Cap	0.52%	2.06%	18.65%	40.58%	16.32%	15.08%
Russell 2000 (Small Cap)	-1.06%	-3.70%	13.19%	42.20%	11.34%	14.06%
MSCI EAFE (International)	1.56%	3.40%	12.53%	27.14%	9.89%	9.61%

MSCI Emerging Markets	-0.85%	-6.43%	0.54%	19.04%	9.52%	9.53%
Bloomberg Barclays US Agg Bond	0.11%	0.80%	-0.82%	-0.27%	5.48%	3.08%
Bloomberg Barclays High Yield Corp.	-0.16%	0.03%	3.65%	9.86%	6.98%	6.66%
Bloomberg Barclays Global Agg	0.17%	1.02%	-2.22%	1.11%	4.83%	2.33%



OBSERVATIONS

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +0.75% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index decreased -1.06% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +1.56%, outperforming domestic stocks.
- Emerging market stocks were negative on the week with the MSCI EM index down -0.85%.
- U.S. investment grade bonds were positive last week with the Bloomberg Barclays U.S. Aggregate Bond index up +0.11%.



BY THE NUMBERS

AT LEAST TEN - The S&P 500 is up +20.0% YTD (total return) through the close of trading last Friday 8/13/21. The index has produced a “double-digit” total return gain in 7 of the last 10 years (2011-2020). The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

WORLD'S BIGGEST - The size of the US economy was \$22.7 trillion as of 6/30/21. 10 years ago (6/30/11), the size of the US economy was \$15.6 trillion. 20 years ago (6/30/01), the size of the US economy was \$10.6 trillion. 30 years ago (6/30/91), the size of the US economy was \$6.1 trillion (source: Bureau of Economic Analysis).

A LOT OF HELP WANTED - American employers had 10.1 million job openings as of 6/30/21, an all-time record for an employment statistic that has been tracked by our government since December 2000. Domestic employers had 6.9 million job openings as of 2/29/20 at the beginning of the global pandemic (source: Department of Labor).

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If you would like to talk with John about the topics discussed in this article, or you would like to set up a phone or in person appointment to review your accounts or discuss any concerns about the markets, etc., with John, then please contact our office at 408-440-1020, or John.plaza@securitiesamerica.com to arrange a time that is convenient for you.

Economic Definitions

Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

Non-farm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

The Conference Board Consumer Confidence Index: The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

Personal Income: Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

Personal Spending: Consumer or Household Spending (also referred to as consumption) tracks consumer expenditures on goods and services. This concept is not adjusted for inflation.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of house sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

The Federal Reserve System: The central bank of the United States. It performs several general functions to promote the effective operation of the U.S. economy and, more generally, the public interest.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Disclosures

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¹ Data Obtained from Bloomberg as of 7/23/2021