

MARKET VIEW WEEKLY

September 10th, 2021



ECONOMIC REVIEW¹

- The Job Openings and Labor Turnover Survey (JOLTS) showed an increase to 10.93 million available jobs, above economists' estimate of 10 million.
- Initial jobless claims came in better than economists' expectations with a reading of 310,000 against the expectation of 340,000
- The Producer Price Index (PPI) matched economists' projections for a month-over-month increase of +0.6% but came in slightly above year-over-year estimates with a reading of +8.3%.

INSIGHT: An estimated 7.5 million Americans stopped receiving jobless benefits entirely as a result of the federal government's pandemic-era unemployment relief expiring last Monday, while another 3 million people saw their unemployment checks cut by \$300 a week, marking the largest cutoff of U.S. unemployment benefits in history. There are still 8.4 million unemployed people in the United States, therefore, while the number of open jobs remains at an all-time high, we may see many people return to the workforce now that they are no longer receiving a check from the government. We may already see this coming to fruition as initial jobless claims fell to a pandemic-era low of 310,000. We believe this could be a positive sign for the labor market. Outside of the jobs data we also received a look into inflation, the U.S. producer prices in August made the largest annual increase since 2010, signaling that supply chain issues are impacting companies' ability to keep up with demand. Ultimately, higher producer prices may be passed to the consumer which could impact spending and broader economic activity.



A LOOK FORWARD¹

- The Consumer Price Index (CPI) for the month of August will be released on Tuesday. Economists project a month-over-month increase of 0.4% and a year-over-year increase of 5.3%.
- Retail sales for the month of August will be released on Wednesday. Economists expect a month-over-month decrease of -0.8% compared to the previous month's decrease of -1.1%.
- The University of Michigan Consumer Sentiment Survey for the month of August will be announced on Thursday with economists expecting an increase to 72.6 from 70.3 a month prior.

INSIGHT: Inflation increases over the last month have shown signs of moderating, however, these increases are still well above normal cycle numbers. Supply constraints continue to persist and lead times and shipping costs continue to remain elevated. Higher inflation along with the Delta variant may continue to impact retail sales as economists are predicting a second straight monthly decline in sales. However, we believe this may simply be consumers changing their spending habits. The retail-sales figures capture spending mostly on goods, and do not include services such as travel, entertainment, and recreation. Inflation fears and the surge in the Delta variant has also been impacting consumer sentiment. After the University of Michigan Sentiment Index plummeted from 85 down to 70.3 for the month of July, a slight increase in sentiment will be a welcome sign. Consumer sentiment surveys can be volatile, however, they do tend to be self-fulfilling as investors tailor their consumption and spending based off their sentiment of the greater economy.

MARKET UPDATE

Market Index Returns as of 9/10/21 ¹	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-1.68%	4.04%	19.91%	35.54%	17.84%	18.16%
NASDAQ	-1.61%	4.35%	17.82%	39.38%	25.16%	25.39%
Dow Jones Industrial Average	-2.11%	0.74%	14.63%	28.14%	12.69%	16.49%
Russell Mid-Cap	-2.05%	1.91%	18.47%	44.23%	15.24%	15.58%
Russell 2000 (Small Cap)	-2.80%	-3.43%	13.50%	49.25%	10.49%	14.30%
MSCI EAFE (International)	-0.31%	3.74%	12.90%	28.40%	10.35%	9.69%
MSCI Emerging Markets	-0.47%	-4.20%	2.94%	22.99%	11.47%	10.02%
Bloomberg Barclays US Agg Bond	0.02%	0.88%	-0.74%	-0.21%	5.55%	3.21%
Bloomberg Barclays High Yield Corp.	0.11%	1.20%	4.86%	10.75%	7.23%	6.71%
Bloomberg Barclays Global Agg	-0.22%	0.94%	-2.30%	0.81%	4.69%	2.51%



OBSERVATIONS

- U.S. equities moved lower this week as indicated by the S&P 500 which was down -1.68% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index decreased by -2.80% on the week.
- International stocks as measured by the MSCI EAFE were negative on the week, down -0.31%, outperforming domestic stocks.
- Emerging market stocks were negative on the week with the MSCI EM down -0.47%.
- U.S. investment grade bonds were slightly positive last week with the Bloomberg Barclays U.S. Aggregate Bond index up 0.02%.



BY THE NUMBERS

TWENTY YEARS AGO - The US stock market did not open at its regular time of 9:30am ET on Tuesday 9/11/01, shutting down after the first plane hit the North Tower of the World Trade Center at 8:46am ET and the second plane hit the South Tower at 9:03am ET. When the market did reopen on Monday 9/17/01, the S&P 500 fell 4.9% (total return) for the day. 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).

MARGIN DEBT - The use of margin debt on the New York Stock Exchange fell in July 2021 to \$844 billion, breaking a streak of 8 consecutive months of record-setting debt (source: Financial Industry Regulatory Authority).

GETTING WORSE - The projected 75-year shortfall in the Social Security Trust fund has tripled in the last 10 years. The 2011 Trustees Report forecasted a \$6.5 trillion present value shortfall between payroll taxes anticipated to be collected and projected benefits to be paid out over the next 75 years. The 2021 report, released 8/31/21, now projects the present value shortfall to be \$19.8 trillion (source: 2021 Trustees Report).

THEY HAD ENOUGH - 3.2 million Americans retired in 2020, a +56% increase over the average 2.05 million Americans who retired over the previous 8 years, i.e., 2012-2019 (source: Pew Research Center).

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

Job Openings – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

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.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e., prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

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)

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.

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¹ Data obtained from Bloomberg as of 09/10/2021