# Weekly Market Update

## General Market News

- Treasury yields moved slightly higher across the curve last week as investors reacted to a better-than-expected July jobs report. The 10-year Treasury yield rose about 9 basis points (bps) to 1.27 percent. The 2-year gained 3 bps to 0.20 percent, the 5-year rose approximately 10 bps to 0.75 percent, and the 30-year picked up 7 bps to about 1.9 percent.
- Global equity markets moved higher despite the continued spread of the Delta variant of the coronavirus. Stocks were supported by positive earnings and economic data. Roughly 943,000 jobs were added in July, up from 559,000 and 850,000 in May and June, respectively. The result saw a rise in bond yields for the week, which bolstered financials, the week's top-performing sector. Information technology and health care rounded out the top three as earnings remained robust, particularly for Moderna and Pfizer. Sectors that disappointed included consumer staples, materials, and energy.
- On Monday, the Institute for Supply Management (ISM) Manufacturing index for July was released. This widely monitored gauge of manufacturer confidence declined modestly, falling from 60.6 in June to 59.5 in July against forecasts for an increase to 61. This is a diffusion index, where values above 50 indicate expansion, so this result still signals that manufacturers increased production despite the miss against expectations. Supply constraints remained a headwind for faster production growth in July, as order backlogs increased. Rising material costs, tangled supply chains, and labor shortages have all negatively affected manufacturers over the past few months; however, high levels of consumer demand have helped support increased output throughout the course of the year. The report showed that manufacturing employment picked up in July, which is an encouraging sign that manufacturers were able to successfully find more workers to try to meet high levels of demand.
- Wednesday saw the release of the ISM Services index for July. Service sector confidence rose from 60.1 in June to 64.1 in July against calls for a more modest increase to 60.5. This better-than-expected result brought the index to its highest level since records started being kept in 1997. This is another diffusion index, where values above 50 indicate expansion, so this strong result indicates service sector businesses continued to grow despite the headwinds created by rising medical risks. Service sector confidence was supported by high levels of consumer demand for services such as dining out and travel. The service sector accounts for the majority of economic activity in the country, so this report is a good signal for the pace of the overall economic recovery. Looking forward, high prices and supply chain constraints may serve as a headwind for faster service sector expansion, but as long as consumer demand remains strong, the service sector should see continued growth.
- We finished the week with Friday's release of the July employment report. The report showed that 943,000 jobs were added, an increase from the upwardly revised 938,000 jobs added in June and above economist estimates for a more modest 870,000 additional jobs. This better-than-expected result marks the best month for job growth since last August and is an encouraging sign that the labor market recovery continued to pick up steam despite rising medical risks. Nationwide reopening efforts have spurred accelerated job growth over the past few months, as businesses have scrambled to hire enough workers to meet high levels of pent-up consumer demand. The underlying data was strong as well, highlighted by the unemployment rate falling from 5.9 percent in June to 5.4 percent in July against calls for a more modest decline to 5.7 percent. Average hourly earnings increased 4 percent year-over-year, slightly higher than the 3.9 percent increase that was expected. Overall, this was an encouraging report that showed the economic recovery continued unabated in July despite the headwinds created by rising medical risks and prices.

## Market Index Performance Data

### EQUITIES

| Index | Week-to-Date % | Month-to-Date % | Year-to-Date % | 12-Month % |
|---|---|---|---|---|
| S&P 500 | 0.96 | 0.96 | 19.12 | 34.41 |
| Nasdaq Composite | 1.14 | 1.14 | 15.56 | 35.69 |
| DJIA | 0.79 | 0.79 | 16.22 | 30.79 |
| MSCI EAFE | 1.05 | 1.05 | 10.80 | 29.15 |
| MSCI Emerging Markets | 1.18 | 1.18 | 1.40 | 20.86 |
| Russell 2000 | 0.98 | 0.98 | 14.41 | 44.74 |

*Source: Bloomberg, as of August 6, 2021*

### FIXED INCOME

| Index | Month-to-Date % | Year-to-Date % | 12-Month % |
|---|---|---|---|
| U.S. Broad Market | –0.42 | –0.92 | –1.22 |
| U.S. Treasury | –0.40 | –1.65 | –3.25 |
| U.S. Mortgages | –0.26 | –0.40 | –0.37 |
| Municipal Bond | –0.13 | 1.77 | 2.68 |

*Source: Morningstar Direct, as of August 6, 2021*

## What to Look Forward To

On Wednesday, the Consumer Price Index for July is set to be released. Consumer prices are expected to increase 0.5 percent during the month and 5.3 percent year-over-year. If estimates prove accurate, the July result would represent a modest slowdown compared with data from the previous month. In June, consumer prices rose 0.9 percent and 5.4 percent year-over-year. Core consumer prices, which strip out the impact of volatile food and energy prices, are expected to increase 0.4 percent in July and 4.3 percent year-over-year. Over the past few months, consumer prices have seen upward pressure due to high levels of pent-up consumer demand, low levels of business inventories, and tangled supply chains. Still, despite the inflationary pressure, the Federal Reserve continues to view the price increases as a transitory result of ongoing reopening efforts, rather than a major risk.

On Thursday, the Producer Price Index for July is set to be released. Producer prices are expected to increase 0.6 percent, a step down from the 1 percent increase in producer prices in June. Headline producer prices are expected to increase 7.1 percent year-over-year, down from 7.3 percent in June. Core producer prices, which strip out the impact of food and energy costs, are expected to increase 0.5 percent during the month and 5.6 percent year-over-year. As was the case with consumer prices, producer prices have seen notable upward pressure over the past few months as reopening efforts have accelerated. Rising material and labor costs have also contributed to the increase in producer prices.

Thursday will also see the release of the initial jobless claims report for the week ending August 7. Economists expect to see 375,000 initial claims filed during the week, an improvement from the 385,000 initial claims filed the week before. If estimates prove accurate, this report would mark three consecutive weeks with declining initial claims. In addition, it would bring the level of initial claims near the post-pandemic low of 368,000 from the first week of July. The July employment report showed that the labor market recovery accelerated during the month. A continued decline in initial claims to start August would bode well for further improvements to

### What to Look Forward To (continued)

overall hiring in August. Given the importance of the labor market to the overall economic recovery, this weekly release will continue to be widely monitored.

We'll finish the week with Friday's release of the preliminary estimate for the University of Michigan consumer sentiment survey for August. This widely followed gauge of consumer confidence is expected to decline from 81.2 in July to 80.8 to start August. The anticipated result would follow a larger-than-expected decline from 85.5 in June. The survey's decline in July was primarily driven by increased consumer concerns over rising medical risks and consumer prices. Nonetheless, confidence is expected to remain well above the lockdown-induced lows recorded last spring. This is an encouraging sign that consumer confidence is showing more resilience to the current wave of infections compared with earlier in the pandemic. Historically, higher levels of consumer confidence have driven faster consumer spending growth. Accordingly, the anticipated decline in confidence in August will be well worth monitoring given the importance of consumer spending to the overall economy.



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