Weekly Market Update

General Market News

- Yields fell slightly across the Treasury curve last week as the first half of 2021 wrapped up. The 10-year yield fell about 5 basis points (bps) week-over-week to open around 1.41 percent on Monday morning. The 2-year was down 1 bp to 0.26 percent. The 30-year saw the biggest move, shedding 7 bps to open at 2.03 percent. The 5-year was down 2 bps to 0.89 percent. The 10-year has hovered between 1.5 percent and 1.4 percent for the past several months as investors gauge the global recovery and possible policy changes from the Federal Reserve (Fed).
- Domestic large-cap markets performed well last week, with the tech-oriented Nasdaq Composite leading the way. The FAAMG (Facebook, Apple, Amazon, Microsoft, and Google) stocks were among the top contributors, as investors have moved away from the cyclical reopening trade in recent weeks. Investors saw their appetite for the higher-growth tech names increase as concerns over peak inflation and accommodative policy began to wane.
- Facebook (FB) was supported by a legal win when a federal judge tossed out antitrust cases brought against the company by the Federal Trade Commission and more than 40 states. The lawsuits argued the claim that Facebook has established a monopoly over social media following the acquisition of Instagram. The stock was up more than 3.9 percent on the week. Apple (AAPL), Amazon (AMZN), and Alphabet (GOOG/GOOGL) were up 5.15 percent, 4.77 percent, and 2.24 percent, respectively.
- Energy, utilities, and financials were the biggest laggards, with Boeing, IBM, and Exxon Mobil as the largest detractors. Boeing (BA) started the week off with news that its 777 plane would be delayed due to software and hardware issues. Later in the week, one of its 737 cargo planes was forced to land off the coast of Hawaii. The stock was down 4.71 percent. IBM saw its president, Jim Whitehurst, depart just 14 months after taking the position. The stock was down 4.64 percent on the week. Finally, Exxon Mobil was down 2.3 percent as it continues to work through the process of newly appointed directors on the behalf of activist investor Engine No. 1 and easing inflation concerns.
- On Tuesday, the Conference Board Consumer Confidence Index for June was released. The report showed that the index increased by more than expected, rising from 120 to 127.3 against calls for 119. This result, which brought the index to its highest level in 16 months, signals that confidence is back at pre-pandemic levels. This echoed a similar improvement in the University of Michigan consumer sentiment survey for June, released earlier in the month. Confidence has improved markedly throughout this year, largely driven by improvements on the public health front and the associated easing of state and local restrictions. Historically, high confidence levels have helped support faster consumer spending growth, so this strong result bodes well for June's spending reports.
- On Thursday, the Institute for Supply Management (ISM) Manufacturing index for June was released. The report showed the index fell from 61.2 in May to 60.6, slightly lower than economist estimates for 60.9. Manufacturers cited continued supply and labor shortages as well as rising prices as factors for the slightly lower confidence. This is a diffusion index, where values above 50 indicate expansion, so

General Market News (continued)

this result still signals continued growth for the manufacturing industry. The index has now been in expansionary territory for 13 consecutive months. This report was encouraging because it showed that high levels of consumer demand continued to support the ongoing manufacturing recovery in June despite the headwinds created by rising prices and tangled supply chains.

- On Friday, the June employment report was released. It showed that 850,000 jobs were added, a step up from the upwardly revised 583,000 jobs that were added in May and above economist estimates for an additional 720,000 jobs. This was the best month for job growth since last August, when more than 1.5 million jobs were added. The continued easing of state and local restrictions has helped spur accelerated job growth over the past few months; this now marks three straight months with faster job growth. The hard-hit leisure and hospitality sector was the major beneficiary during the month, as 343,000 leisure and hospitality jobs were added in June, largely reflecting the tailwind from recent reopening efforts. Despite the faster-than-expected rate of hiring during the month, the unemployment rate ticked up from 5.8 percent to 5.9 percent against forecasts for a decline to 5.6 percent. This relatively high unemployment rate, compared with pre-pandemic levels, signals that the labor market is still under pressure and work remains to return to full employment.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	1.71	1.30	16.75	41.23
Nasdaq Composite	1.96	0.94	13.98	44.44
DJIA	1.06	0.86	14.76	37.37
MSCI EAFE	–1.10	0.84	9.34	31.17
MSCI Emerging Markets	–1.65	–1.42	5.97	33.65
Russell 2000	–1.18	–0.20	17.30	62.76

Source: Bloomberg, as of June 4, 2021

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.27	–1.48	–0.33
U.S. Treasury	0.33	–2.42	–2.95
U.S. Mortgages	0.07	–0.71	–0.35
Municipal Bond	0.18	1.14	4.25

Source: Morningstar Direct, as of July 6, 2021

What to Look Forward To

Tuesday saw the release of the ISM Services index for June. This widely followed measure of service sector confidence declined by more than expected, dropping from 64 in May to 60.1 in June. Forecasts were for a more modest move to 63.5. This is another diffusion index, where values above 50 indicate expansion. Accordingly, this report signals continued growth for the service sector, despite the larger-than-expected decline for the index. Service sector confidence remains well above the pre-pandemic high of 56.7 we saw in February 2020, highlighting the positive impact of the ongoing economic recovery. Service sector confidence was supported during the month by high levels of consumer demand, especially in previously hard-hit sectors such as in-restaurant dining, hotels, and air travel. Material and labor shortages continued to serve as a tailwind for faster service sector growth in June. Nonetheless, the continued expansion for the service sector in June was an encouraging sign that businesses are successfully adapting despite the economic headwinds.

On Wednesday, the Federal Open Market Committee meeting minutes from the recent June meeting are set to be released. The Fed cut interest rates to virtually zero at the start of the pandemic last March, and there were no major changes made at this meeting, as expected. Likewise, the Fed did not change its ongoing asset purchase program, which currently consists of $120 billion in purchases per month. Despite the lack of major announcements, changes to the Fed's dot plot, released after the meeting, captured market attention. Economists will look to the minutes for any discussion regarding the path of monetary policy, especially potential plans for tapering asset purchases. The minutes should also touch on recent inflationary pressures across various sectors of the economy, although Fed board members have largely reiterated the view that inflation is transitory. Ultimately, although the minutes should not be surprising, they are expected to give economists insight into current thinking at the Fed.

We'll finish the holiday-shortened week with Thursday's release of the initial jobless claims report for the week ending July 3. Economists expect 350,000 initial unemployment claims to be filed, in an improvement from the 364,000 initial claims filed the week before. If estimates hold, this report will mark a new low for weekly initial claims since the start of the pandemic, bringing the pace of layoffs closer to historically normal levels. For reference, in 2019, we averaged roughly 220,000 initial claims per week. Continued improvement at the recent pace could get us near to normal levels by the end of the summer. Given the importance of the labor market for the overall economic recovery, this report will continue to be widely monitored. It provides a timely update on the health of the job market.

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