



# WEEKLY MARKET UPDATE, JUNE 1, 2021

## GENERAL MARKET NEWS

- The yield curve moved modestly lower again last week as the Federal Reserve (Fed) continued its patient monetary policy. The 10-year Treasury yield opened the week at 1.62 percent and closed more than 4 basis points (bps) lower at 1.58 percent. It opened at 1.63 percent on Tuesday morning. The 30-year opened at 2.33 percent, slightly up from last week's open of 2.32 percent. On the shorter end of the curve, the 2-year opened at 0.15 percent, 0.6 bps below last week's open.

- Markets moved higher, with small-caps and the technology-led Nasdaq Composite leading the way. The move in interest rates was the primary driver as cyclical growth sectors, including communication services, consumer discretionary, REITs, industrials, and technology, outperformed. Utilities, health care, and consumer staples were among the worst performers as investors' appetite for risk increased, with a drop in bond yields supporting the move. Tesla, Microsoft, NVIDIA, Facebook, Google, Disney, and Amazon were among the top performers.

- Last week began with multiple releases on Tuesday. The pace of new home sales fell 6 percent to 863,000 in April, short of forecasts for 959,000 homes sold. The drop comes on

the heels of a 20 percent increase in March. Potential buyers continue to be supported by low mortgage rates, which have been partially offset by increased homebuilding costs. Also released Tuesday was the Conference Board Consumer Confidence Index for May, which ticked down from 117.5 to 117.2.

- On Thursday, we saw the release of initial jobless claims and durable goods orders reports. The results were mixed, with initial jobless claims dropping to 406,000, their lowest level since March 2020. Durable goods orders dropped 1.3 percent in April. This release is typically seen as a proxy for business spending and will be one to watch.

- Several important data points were released Friday. The personal income report showed income dropping 13.1 percent, better than the expected 14 percent drop. (Personal income rose 20.9 percent in March after the most recent stimulus package.) The personal spending report showed consumer spending increased by 0.5 percent. Finally, personal consumption expenditures (also known as the Fed's preferred inflation data point) were 3.6 percent higher year-over-year. The core version of this index, which strips out components such as energy prices, rose 0.7 percent month-over-month, higher than an expected 0.6 increase.

## WHAT TO LOOK FORWARD TO

We started the week with Tuesday's release of the Institute for Supply Management (ISM) Manufacturing index for May. This widely followed measure of manufacturer confidence increased by more than expected. It rose from 60.7 in April to 61.2, against forecasts for a more modest increase to 61. Driven in large part by new order growth due to strong consumer demand, this result brought the index to its second-highest level on record. This is a diffusion index, where values above 50 indicate expansion. The improvement in May is a positive signal that manufacturing output has continued, despite headwinds created by rising prices and supply chain constraints. Manufacturer confidence has increased notably since hitting a lockdown-induced low of 41.7 in April 2020. Overall, this encouraging report showed a continued manufacturing recovery driven by sky-high levels of demand as reopening efforts accelerated.

On Thursday, we'll see the release of the initial jobless claims report for the week ending May 29. Economists expect to see the number of initial unemployment claims drop from 425,000 to 395,000. If estimates prove accurate, this report would mark the fifth week in a row in which initial claims have declined. It would also set another pandemic-era low for initial claims. Although claims can be volatile on a week-to-week basis, the continued improvement over the past two months has been very encouraging. With that said, however, the number of weekly initial claims remains higher than normal. The progress we've made so far this year is promising, but the current level of weekly layoffs indicates the labor market continues to face stress. Accordingly, this weekly report will continue to be closely monitored.

Thursday will also see the release of the ISM Services index for May. As was the case with manufacturer confidence, economists expect to see service sector sentiment improve

during the month. Forecasts are calling for the index to rise from 62.7 in April to 63. If estimates hold, the index would sit at the second-highest level on record, trailing only the 63.7 reading in March 2021. This is another diffusion index, where values above 50 indicate expansion, so a reading above 50 would mark 12 straight months with service sector growth. Confidence for this sector has rebounded strongly following the weather- and pandemic-related slump in February. Continued readings near current levels would indicate very high service sector confidence on a historical basis. Given the continued reopening efforts and progress in combatting the pandemic, service sector confidence is expected to remain high as we head into the summer months.

We'll finish the week with Friday's release of the employment report for May. Economists expect to see 650,000 jobs added during the month. This result would be a solid step up from the relatively disappointing 266,000 jobs added in April, but below the 770,000 jobs added in March. April's slowdown in the pace of hiring was largely attributed to a shortage of available workers, as evidenced by the high level of job openings across the country. Although potential labor shortages may serve as a headwind for a return to full employment, continued progress on mass vaccinations and state reopenings should support job growth in the months ahead. The April employment report demonstrated the continued positive impact from reopening efforts, with the hard-hit leisure and hospitality sector seeing the largest job gains. This trend is expected to continue as reopening efforts accelerate as we head into summer. The underlying data is set to improve compared with the numbers from April. Economists expect the unemployment rate to fall from 6.1 percent to 5.9 percent in May. Ultimately, if estimates hold, this report would be an encouraging sign for the labor market recovery, as well as acceleration of the overall economic recovery.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.20%	0.70%	12.62%	40.32%
Nasdaq Composite	2.08%	-1.44%	6.98%	45.95%
DJIA	1.03%	2.21%	13.76%	38.79%
MSCI EAFE	1.22%	3.59%	10.42%	38.85%
MSCI Emerging Markets	2.39%	1.15%	6.03%	49.27%
Russell 2000	2.45%	0.21%	15.30%	64.56%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.35%	-2.29%	-0.40%
U.S. Treasury	0.36%	-3.20%	-3.75%
U.S. Mortgages	0.14%	-0.73%	-0.47%
Municipal Bond	0.20%	0.78%	4.74%

Source: Morningstar Direct

Disclosures: Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed

securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million.

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