Weekly Update
Small-Caps Take a Big Leap in Volatile Week
February 26, 2021

SEI New ways. New answers.®

The Economy

- Large-caps fell, while small-caps jumped during a volatile week in the markets. Expectations for a large fiscal relief package expected to buoy the U.S. economy and reduce unemployment drove small-cap stocks higher for the week ending February 26—pushing them to surpass their larger counterparts by the widest margin in approximately two decades. Small-cap stocks tend to be more sensitive than large-cap stocks to movement in the U.S. economy.
- A dramatic decline in consumer spending at the end of 2020 caused U.S. economic growth (as measured by gross domestic product) to plummet from a record-high annualized rate of 33.4% to just 4.1% in the final quarter of the year—with economic activity remaining afloat on business spending and investments.
- U.S. economic health improved by 0.5% in January, as measured by the Conference Board's leading economic index (a composite of 10 forward-looking components). Progress is expected to continue during the first half of 2021 due to higher COVID-19 vaccination rates, record-low interest rates and pent-up consumer demand. A leading indicator is defined as an economic factor that changes before the rest of the economy begins to move in a particular direction.
- Consumer confidence advanced in February from 88.9 to a three-month high of 91.3, according to the Conference Board, on optimism about the job market and the possibility of additional government-issued stimulus checks. While the reading indicated expectations for business conditions to improve in the near term, consumer confidence remained dampened by the country's relentless COVID-19 infection rate and delayed vaccine rollout.
- The U.S. housing market remained strong in December, growing by 1.3% for the month and by 10.1% year over year, as measured by the S&P CoreLogic Case-Schiller Home Price Index. Record-low mortgage rates have increased purchasing power for homebuyers.
- New-home sales swelled to 923,000 in January from 885,000 in December. First-time homebuyers drove the increase, as ultra-low mortgage rates boosted demand for single-family homes, particularly amid the pandemic.
- Demand for durable-goods orders advanced for the ninth consecutive month in January, surging by 3.4%. Economists said the increase reflects a broader shift in consumer behavior: a return to pre-crisis purchasing decisions of bigger-ticket items such as cars, appliances and electronics.
- Initial jobless claims receded sharply during the week ending February 13 by 111,000 to 730,000, still near historic highs due to business restrictions intended to curb the spread of COVID-19. Warmer weather and a broadened vaccine distribution plan is expected to encourage consumer spending and promote job growth later in the spring.
- Mortgage-purchase applications fell by 12.0% for the week ending February 19. Refinancing applications retreated by 11.0% in the same period. The average interest rate on a 30-year fixed-rate mortgage rose from 2.73% to 2.81%.

Stocks

- Global equity markets closed lower in week marked by large intraday swings. Developed markets led emerging markets.
- U.S. equities were in negative territory. Energy and financials were the top performers, while utilities and consumer discretionary lagged. Value stocks led growth, and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield moved higher to 1.40%. Global bond markets were in negative territory this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of February 26, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.9%	3.2%	27.8%	667.0
MSCI EAFE ($)	0.0%	4.0%	19.6%	2233.6
MSCI Emerging Mkts ($)	-3.2%	7.2%	34.3%	1383.8
U.S. & Canadian Equities				
Dow Jones Industrials ($)	-1.5%	1.4%	20.4%	31027.5
S&P 500 ($)	-1.7%	2.2%	28.9%	3839.9
NASDAQ ($)	-4.6%	2.6%	54.4%	13229.7
S&P/ TSX Composite (C$)	-1.5%	3.9%	8.4%	18117.4
U.K. & European Equities				
FTSE All-Share (£)	-1.8%	0.8%	-2.3%	3702.4
MSCI Europe ex UK (€)	-0.7%	2.7%	8.3%	1472.1
Asian Equities				
Topix (¥)	-3.3%	3.3%	18.9%	1864.5
Hong Kong Hang Seng ($)	-5.4%	6.4%	8.2%	28980.2
MSCI Asia Pac. Ex-Japan ($)	-2.2%	8.7%	37.6%	720.0
Latin American Equities				
MSCI EMF Latin America ($)	-5.9%	-7.7%	-6.8%	2261.8
Mexican Bolsa (peso)	-0.7%	1.2%	7.2%	44604.0
Brazilian Bovespa (real)	-6.9%	-7.3%	7.1%	110300.2
Commodities ($)				
West Texas Intermediate Spot	3.8%	26.8%	30.6%	61.5
Gold Spot Price	-3.2%	-8.9%	5.2%	1726.5
Global Bond Indexes ($)				
Barclays Global Aggregate ($)	-0.6%	-2.6%	5.0%	544.4
JPMorgan Emerging Mkt Bond	-1.5%	-3.5%	0.6%	901.3
10-Year Yield Change (basis points*)				
US Treasury	6	49	14	1.40%
UK Gilt	12	63	35	0.82%
German Bund	5	31	28	-0.26%
Japan Govt Bond	5	14	27	0.16%
Canada Govt Bond	15	68	19	1.35%
Currency Returns**				
US$ per euro	-0.4%	-1.2%	9.7%	1.207
Yen per US$	1.1%	3.2%	-2.7%	106.59
US$ per £	-0.6%	1.9%	8.1%	1.394
C$ per US$	0.9%	0.0%	-5.0%	1.273

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. There are risks involved with investing, including possible loss of principal. SIMC is a wholly-owned subsidiary of SEI Investments Company.