# Weekly Update

## U.S. Stocks Gain on Improving Jobs Data

May 21, 2021

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### The Economy

- After tumbling for three consecutive days on inflation concerns, U.S. equities closed the week ending May 21 with a modest rebound as the April jobs report showed the lowest rate of unemployment filings since the COVID-19 pandemic began more than a year ago.
- U.S. economic health improved by 1.6% in April (as measured by the Conference Board's leading economic index, a composite of 10 forward-looking components) and is expected to continue strengthening during the second half of 2021 due to higher COVID-19 vaccination rates and pent-up consumer demand. A leading indicator is an economic factor that shifts before the rest of the economy begins to move in a particular direction.
- Preliminary estimates for the May reading of Markit's U.S. purchasing managers' index (PMI) showed that manufacturing activity expanded to 61.5 from 60.5 in the prior month. Estimates also pointed to sharp acceleration in services activity, which moved to 70.1 from 64.7 over the same period. Both manufacturing and services activity have enjoyed robust growth in recent months.
- The outlook for single-family homes remained solid in May, according to the National Association of Home Builders/Wells Fargo Housing Market Index. However, supply shortages and growing demand for lumber may present housing-market challenges in the coming months.
- Existing-home sales slowed to a pace of 5.85 million sales in April from 6.01 million in April, primarily due to constrained supply as demand continued to soar. Housing inventory—which the National Association of Realtors says hit a record low of 1.03 million in February, down 29.5% from a year earlier—is expected to drive prices higher for existing homes and further reduce affordability for first-time homebuyers.
- The rate of initial jobless claims continued to reverse its stubbornly high trend and move closer to pre-pandemic levels as it dropped by 34,000 to 444,000 during the week ending May 15.
- Mortgage-purchase applications fell by 4.0% for the week ending May 14. In the same period, refinancing applications moved higher by 4.0% and the average interest rate on a 30-year fixed-rate mortgage increased from 2.94% to 3.00%. Lower mortgage rates have bolstered the refinancing market in recent weeks.
- Japan's economic growth (as measured by gross domestic product) tumbled to an annualized rate of -5.1% during the first quarter of 2021 on dramatically lower consumer spending; a second wave of COVID-19 and the country's struggling vaccination rollout kept consumers out of stores.
- Retail sales in the U.K. surged by 9.2% in April due to the reopening of its economy, which saw an unprecedented growth spurt and record-high business optimism.

### Stocks

- Global equity markets closed higher for the week. Emerging markets led developed markets.
- U.S. equities were in positive territory. Health care and utilities were the top performers, while industrials and energy lagged. Growth stocks led value, and small caps beat large caps.

### Bonds

- The 10-year Treasury bond yield moved lower to 1.62%. Global bond markets were in positive territory this week. Global government bonds led, followed by global corporate bonds and high-yield bonds.

| The Numbers as of May 21, 2021 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indexes** | | | | |
| MSCI ACWI ($) | 0.3% | 8.5% | 42.0% | 701.3 |
| MSCI EAFE ($) | 0.7% | 7.5% | 39.3% | 2307.5 |
| MSCI Emerging Mkts ($) | 1.7% | 2.9% | 42.9% | 1329.3 |
| **U.S. & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | -0.5% | 11.8% | 39.8% | 34222.2 |
| S&P 500 ($) | -0.3% | 10.8% | 41.1% | 4161.8 |
| NASDAQ ($) | 0.3% | 4.5% | 45.1% | 13473.1 |
| S&P/ TSX Composite (C$) | 1.2% | 12.4% | 31.7% | 19603.8 |
| **U.K. & European Equities** | | | | |
| FTSE All-Share (£) | -0.2% | 9.0% | 20.9% | 4002.6 |
| MSCI Europe ex UK (€) | 0.1% | 10.5% | 32.2% | 1583.1 |
| **Asian Equities** | | | | |
| Topix (¥) | 1.1% | 5.5% | 27.7% | 1904.7 |
| Hong Kong Hang Seng ($) | 1.5% | 4.5% | 17.2% | 28458.4 |
| MSCI Asia Pac. Ex-Japan ($) | 1.6% | 3.2% | 42.9% | 683.2 |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | -0.7% | 1.3% | 48.2% | 2484.2 |
| Mexican Bolsa (peso) | 1.0% | 12.8% | 39.8% | 49721.8 |
| Brazilian Bovespa (real) | 0.7% | 3.1% | 47.8% | 122694.6 |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | -2.6% | 31.3% | 86.4% | 63.7 |
| Gold Spot Price | 1.8% | -1.1% | 8.6% | 1872.9 |
| **Global Bond Indexes ($)** | | | | |
| Barclays Global Aggregate ($) | 0.3% | -2.8% | 4.7% | 543.0 |
| JPMorgan Emerging Mkt Bond | 0.1% | -2.4% | 8.3% | 911.0 |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | -1 | 71 | 95 | 1.62% |
| UK Gilt | -3 | 64 | 66 | 0.83% |
| German Bund | 0 | 44 | 37 | -0.13% |
| Japan Govt Bond | -1 | 6 | 8 | 0.08% |
| Canada Govt Bond | -2 | 87 | 99 | 1.54% |
| **Currency Returns**** | | | | |
| US$ per euro | 0.4% | -0.3% | 11.3% | 1.219 |
| Yen per US$ | -0.4% | 5.5% | 1.2% | 108.90 |
| US$ per £ | 0.4% | 3.5% | 15.8% | 1.416 |
| C$ per US$ | -0.4% | -5.2% | -13.6% | 1.206 |

**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.

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