Weekly Update

Stocks Soar, Jobs Jump, Confidence Climbs

July 2, 2021

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The Economy

- U.S. equity markets advanced to a record high during the week ending July 2 amid news of a favorable June jobs report and renewed confidence in the nation's economic recovery as Americans headed into a long holiday weekend.
- The U.S. economy added a robust 850,000 jobs in June—the sixth consecutive monthly gain, and largest since August last year—with notably strong growth in leisure and hospitality. The unemployment rate barely moved for the month, ticking up by just 0.1% to 5.9% for the month. Jobs growth is expected to accelerate in the months ahead on rising economic demand.
- Optimism about the labor market and additional fiscal stimulus measures pushed consumer confidence to a 16-month high of 127.3 in June, as measured by the Conference Board's consumer confidence index. The report indicated that consumer spending should continue to rise in the coming months as Americans eagerly return to restaurants and stores, while business conditions are also expected to improve in the near term.
- The U.S. housing market remained solid in April as prices rose by 1.6% for the month and 14.9% year over year, according to the S&P CoreLogic Case-Schiller Home Price Index. Historically low mortgage rates continued to increase homebuyers' purchasing power, while rising home prices hurt affordability.
- Construction spending tumbled by 0.3% in May—primarily for nonresidential projects, which fell 0.7%, while spending on residential construction widened by a slight 0.2%. Homebuyers tapped the brakes on spending for single-family residential houses; nevertheless, strong demand for new housing should bolster residential construction activity in the months ahead. Residential construction spending has surged by 23.4% year to date.
- U.S. manufacturing activity (which accounts for approximately 12% of the country's economy) held steady at 62.1 during June, as measured by Markit's manufacturing purchasing managers' index (PMI). A similar report for the same month by The Institute for Supply Management (ISM) showed the sector's activity slipped from 61.2 to 60.6 over the period.
- The U.S. Census Bureau reported that new factory orders rebounded in May by 1.7% after challenges in the prior month brought by severe shortages of labor and supply. The improved report suggests ongoing progress for manufacturers notwithstanding a resurgence in COVID-19 infection rates.
- The rate of initial jobless claims during the week ending June 26 fell to a new pandemic low of 364,000 from 411,000 in the previous week, indicating sustained healing in the labor market.
- Mortgage-purchase applications fell by 5.0% for the week ending June 25, while refinancing applications retreated by 8.0%. The average interest rate on a 30-year fixed-rate mortgage decreased from 3.02% to 2.98%.

Stocks

- Global equities closed higher during the week. Emerging markets led developed markets.
- U.S. equities were in positive territory. Information technology and consumer discretionary were the top performers, while energy and financials lagged. Growth stocks led value stocks and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield fell to 1.43%. Global bond markets were in negative territory this week. Global high-yield led, followed by global corporates and global government bonds.

The Numbers as of July 2, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.0%	11.7%	35.6%	721.8
MSCI EAFE ($)	-1.4%	7.5%	27.7%	2309.3
MSCI Emerging Mkts ($)	-0.8%	6.0%	33.7%	1368.2
US & Canadian Equities				
Dow Jones Industrials ($)	1.0%	13.7%	34.7%	34787.9
S&P 500 ($)	1.6%	15.8%	39.0%	4351.3
NASDAQ ($)	1.9%	13.6%	43.4%	14639.3
S&P/ TSX Composite (C$)	-0.1%	16.0%	29.4%	20219.8
UK & European Equities				
FTSE All-Share (£)	0.0%	10.7%	17.8%	4066.0
MSCI Europe ex UK (€)	-0.5%	14.5%	25.0%	1640.4
Asian Equities				
Topix (¥)	-0.3%	8.4%	26.8%	1956.3
Hong Kong Hang Seng ($)	-3.3%	4.0%	12.7%	28310.4
MSCI Asia Pac. Ex-Japan ($)	-0.9%	5.2%	32.2%	696.9
Latin American Equities				
MSCI EMF Latin America ($)	-2.4%	6.0%	34.0%	2599.9
Mexican Bolsa (peso)	-0.6%	14.0%	32.6%	50246.3
Brazilian Bovespa (real)	0.2%	7.1%	32.5%	127524.3
Commodities ($)				
West Texas Intermediate Spot	1.2%	54.9%	84.9%	75.2
Gold Spot Price	0.3%	-5.9%	0.3%	1782.0
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.1%	-3.3%	2.4%	540.4
JPMorgan Emerging Mkt Bond	0.1%	-1.0%	5.9%	924.1
10-Year Yield Change (basis points*)				
US Treasury	-10	51	76	1.43%
UK Gilt	-8	51	52	0.70%
German Bund	-8	34	19	-0.24%
Japan Govt Bond	0	2	1	0.05%
Canada Govt Bond	-8	70	81	1.38%
Currency Returns**				
US$ per euro	-0.6%	-2.9%	5.6%	1.187
Yen per US$	0.3%	7.5%	3.3%	111.03
US$ per £	-0.3%	1.2%	11.0%	1.384
C$ per US$	0.3%	-3.2%	-9.1%	1.232

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.

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