Weekly Update

Delta Variant Dents Optimism, But Stocks Persevere

July 9, 2021

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The Economy

- U.S. equity markets briefly faltered during the week ending July 9 as a ramp-up in the spread of the highly infectious COVID-19 delta variant stoked anxiety, spurring a temporary sell-off. However, U.S. stocks rebounded on constructive U.S. economic data, setting a record-high and ending the week in positive territory.
- Markit's June U.S. nonmanufacturing purchasing managers' index (PMI) showed that services retreated to 64.6 from 70.4 in May. Similarly, ISM's nonmanufacturing PMI reading tumbled to 60.1 in June from 64.0 in May. The pace of growth in the services sector remained strong; yet the slight pullback indicates that services activity may be cooling off amid numerous headwinds, including materials shortages, rising inflation and supply-chain disruptions.
- The number of U.S. job openings (a measure of labor demand) hit a record-high 9.2 million in May, as reported by Department of Labor. Leisure and hospitality businesses posted the highest number of opportunities as the sector continued to rebound from pandemic-induced lockdowns. The quits rate jumped to 3.6 million, signaling workers' confidence in finding new jobs.
- Consumer credit in May grew by a seasonally adjusted 10.0% ($35.3 billion), representing the fourth straight monthly gain and beating expectations on robust household spending. Non-revolving debt, which includes car and student loans, rebounded by $9.2 billion after falling in the previous month. Motor vehicle sales were particularly strong during the month. Over the same period, revolving credit grew by 11.4% as consumers credit-card usage increased amid a pick-up in social activity.
- The rate of initial jobless claims during the week ending July 3 increased to 373,000 from 371,000 in the previous week. Jobless claims continued to hover near new pandemic lows, suggesting sustained healing in the labor market.
- Mortgage-purchase applications fell by 1.0% for the week ending July 2, while refinancing applications declined by 2.0%. Demand for mortgages receded for the second week in a row due to low inventory and increasing home prices. The average interest rate on a 30-year fixed-rate mortgage decreased from 2.98% to 2.90%.
- Household spending in Japan decreased by 2.1% in May as the island nation continued to battle the spread of the COVID-19 virus. During the week, the Japanese government declared a state of emergency and barred spectators from the upcoming Summer Olympics games in Tokyo.

Stocks

- Global equities closed lower during the week. Developed markets led emerging markets.
- U.S. equities were in positive territory. Utilities 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 1.36%. Global bond markets were in positive territory this week. Global government bonds led, followed by global corporates and global high-yield bonds.

The Numbers as of July 9, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.0%	11.0%	33.2%	717.1
MSCI EAFE ($)	-0.8%	7.0%	27.2%	2297.4
MSCI Emerging Mkts ($)	-2.9%	1.9%	21.9%	1316.2
US & Canadian Equities				
Dow Jones Industrials ($)	0.2%	13.9%	35.6%	34867.7
S&P 500 ($)	0.4%	16.3%	38.6%	4368.0
NASDAQ ($)	0.4%	14.0%	39.4%	14698.5
S&P/ TSX Composite (C$)	0.1%	16.1%	30.0%	20242.4
UK & European Equities				
FTSE All-Share (£)	0.1%	10.8%	21.4%	4069.8
MSCI Europe ex UK (€)	-1.2%	13.2%	24.9%	1623.1
Asian Equities				
Topix (¥)	-2.2%	6.0%	22.8%	1912.4
Hong Kong Hang Seng ($)	-3.4%	0.4%	4.3%	27344.5
MSCI Asia Pac. Ex-Japan ($)	-2.4%	1.8%	21.8%	674.1
Latin American Equities				
MSCI EMF Latin America ($)	-4.8%	1.6%	26.4%	2491.5
Mexican Bolsa (peso)	-1.0%	12.8%	35.1%	49707.6
Brazilian Bovespa (real)	-1.7%	5.4%	26.5%	125427.8
Commodities ($)				
West Texas Intermediate Spot	-0.8%	53.7%	88.2%	74.6
Gold Spot Price	1.6%	-4.4%	0.6%	1810.4
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.7%	-2.5%	2.6%	544.7
JPMorgan Emerging Mkt Bond	0.4%	-0.6%	6.0%	927.7
10-Year Yield Change (basis points*)				
US Treasury	-7	44	75	1.36%
UK Gilt	-5	46	50	0.65%
German Bund	-6	28	17	-0.29%
Japan Govt Bond	-1	1	0	0.03%
Canada Govt Bond	-5	65	80	1.33%
Currency Returns**				
US$ per euro	0.1%	-2.8%	5.3%	1.188
Yen per US$	-0.8%	6.6%	2.7%	110.11
US$ per £	0.5%	1.6%	10.2%	1.389
C$ per US$	1.1%	-2.1%	-8.3%	1.245

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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