Weekly Update
Inflation Spooks Stocks
July 16, 2021

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The Economy

- U.S. equities tumbled during the week ending July 16 on renewed concerns about inflation, which recently accelerated at its fastest pace in over a decade and is expected to surge for several years to come. The ever-rising costs of homes, vehicles and consumer goods will likely cause a lag in discretionary purchases, particularly within lower- and middle-income American households.
- U.S. inflation jumped by 5.4% year over year in June, the biggest annualized increase since 2008, as measured by the Department of Labor's consumer price index. Core inflation (which excludes volatile food and energy prices) accelerated by 4.5% over the same period, marking its largest year-over-year advance in nearly 30 years.
- Consumer sentiment fell to 80.8 in July from 86.4 in June, as measured by the University of Michigan's consumer sentiment survey, on concerns that inflationary pressures could stall U.S. economic growth. The expectations component of the survey reflects the six-month consumer outlook for business conditions, employment and income.
- Unease about rising inflation overshadowed June's robust retail sales figure, which increased 0.6% after tumbling by 1.3% in May, primarily on gains within bars and restaurants. The reading suggests that consumer demand for goods and services remains healthy.
- Producer prices moved higher by 1.0% in June (as measured by the Department of Labor's producer-price index, which tracks the average change in prices that producers receive for goods and services), pointing to escalating inflation as the U.S. economy strengthened further amid easing lockdown restrictions and climbing demand for goods and services.
- In a continued rally from early-pandemic price declines that stemmed from supply-chain disruptions and key-materials shortages, total import prices rose by 1.0% in June due to higher energy prices and a weaker U.S. dollar. Export prices grew by 1.2% during the month on increasing agricultural and nonagricultural costs. Both import and export prices have benefited from swelling demand as the global economy recovers.
- Industrial production improved by 0.4% in June, primarily within utilities and mines. Greater-than-expected output of automobiles also boosted overall production. Capacity utilization (the percentage of resources used to produce goods in manufacturing, mining, and electric and gas utilities for all U.S. facilities) expanded by 0.3% to 75.4%.
- The rate of initial jobless claims during the week ending July 10 fell to 36,000 from 373,000 in the previous week. Jobless claims continued to hover near new pandemic lows, suggesting sustained healing in the labor market.
- Mortgage-purchase applications surged by 8.0% for the week ending July 9, while refinancing applications jumped by 20.0%. The average interest rate on a 30-year fixed-rate mortgage decreased from 2.90% to 2.88%.

Stocks

- Global equities closed lower during the week. Emerging markets led developed markets.
- U.S. equities were in negative territory. Utilities and consumer staples were the top performers, while energy and materials lagged. Growth stocks led value stocks and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield fell to 1.30%. 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 16, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.0%	12.0%	32.4%	723.7
MSCI EAFE ($)	-0.1%	7.7%	24.8%	2312.0
MSCI Emerging Mkts ($)	2.3%	4.4%	28.9%	1348.5
US & Canadian Equities				
Dow Jones Industrials ($)	-0.6%	13.3%	29.7%	34668.6
S&P 500 ($)	-0.9%	15.2%	34.6%	4328.4
NASDAQ ($)	-1.9%	11.9%	37.7%	14425.2
S&P/ TSX Composite (C$)	-1.3%	14.7%	24.7%	19988.8
UK & European Equities				
FTSE All-Share (£)	-1.6%	9.0%	15.9%	4002.8
MSCI Europe ex UK (€)	-0.1%	14.5%	22.9%	1641.4
Asian Equities				
Topix (¥)	1.0%	7.1%	22.4%	1932.2
Hong Kong Hang Seng ($)	2.4%	2.8%	12.2%	28004.7
MSCI Asia Pac. Ex-Japan ($)	2.2%	4.1%	28.3%	689.0
Latin American Equities				
MSCI EMF Latin America ($)	3.2%	5.7%	30.8%	2591.1
Mexican Bolsa (peso)	0.6%	13.7%	37.3%	50082.8
Brazilian Bovespa (real)	0.5%	5.9%	25.3%	126011.1
Commodities ($)				
West Texas Intermediate Spot	-3.7%	48.0%	76.2%	71.8
Gold Spot Price	0.3%	-4.2%	0.8%	1815.3
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.2%	-2.5%	2.1%	544.5
JPMorgan Emerging Mkt Bond	0.2%	-0.5%	5.8%	928.7
10-Year Yield Change (basis points*)				
US Treasury	-6	39	68	1.30%
UK Gilt	-3	43	49	0.63%
German Bund	-6	22	11	-0.36%
Japan Govt Bond	-1	0	0	0.03%
Canada Govt Bond	-8	57	74	1.24%
Currency Returns**				
US$ per euro	-0.6%	-3.4%	3.7%	1.181
Yen per US$	-0.1%	6.6%	2.6%	110.06
US$ per £	-1.0%	0.7%	9.6%	1.376
C$ per US$	1.3%	-0.9%	-7.1%	1.261

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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