Weekly Update
Stocks Sink, Consumers Remain Upbeat
July 30, 2021

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The Economy

- U.S. equities tumbled during the week ending July 30 on signs that the rate of economic growth may be decelerating in the face of global headwinds. A ramp-up in the spread of the highly infectious COVID-19 Delta variant could begin to hinder the recovery. Additionally, indications that the Federal Reserve may dial back its easy-money policies sooner than expected caused risk assets to shift lower.
- The U.S. economy (as measured by gross domestic product) expanded at an annualized rate of 6.5% in the second quarter of 2021. Economic growth was solid but fell short of expectations due to supply-chain disruptions and labor shortages. Consumer spending (which accounts for nearly 70% of U.S. economic activity) spiked by 11.8% as Americans felt comfortable returning to their pre-pandemic spending habits, providing a much-needed boost to restaurants, hotels and airlines.
- Durable-goods orders improved by 0.8% in June. Transportation equipment, cars and appliances drove the increase in June. The report indicated strength in the manufacturing sector. New orders for core capital goods, a closely watched proxy for business investment, gained 0.5% for the month and 16.7% from a year earlier. July orders are expected to further benefit from strength in the manufacturing sector and the summer time surge in consumer spending.
- The U.S. housing market remained solid in May as prices rose by 1.8% for the month and 17.0% year over year, according to the S&P CoreLogic Case-Schiller Home Price Index. Historically low mortgage rates continued to increase homebuyer purchasing power, while rising home prices hurt affordability.
- New-home sales moderated to a rate of 676,000 in June from 724,000 in May. Builders struggled to keep up with demand, while prices for land, labor and materials continued to surge.
- Mortgage-purchase applications fell by 2.0% for the week ending July 23, while refinancing applications surged by 9.0%. The average interest rate on a 30-year fixed-rate mortgage increased from 2.78% to 2.80%.
- Optimism about the labor market and additional fiscal stimulus measures pushed consumer confidence to a 17-month high of 129.1 in July, 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.
- Consumer sentiment accelerated from 80.8 in June to 81.2 in July on confidence about vaccination rollout plans and fiscal relief, as measured by the University of Michigan's consumer sentiment survey. The expectations component of the survey reflects the six-month consumer outlook for business conditions, employment and income.
- The rate of initial jobless claims during the week ending July 17 fell to 400,000 from 424,000 in the previous week. Jobless claims continued to hover near new pandemic lows, suggesting sustained healing in the labor market.

Stocks

- Global equities closed higher during the week. Developed markets led emerging markets.
- U.S. equities were in negative territory. Materials and energy were the top performers, while consumer discretionary and telecommunications lagged. Value stocks led growth stocks and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield fell to 1.23%. 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 30, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.3%	12.9%	32.2%	729.7
MSCI EAFE ($)	1.5%	9.0%	26.9%	2341.8
MSCI Emerging Mkts ($)	-1.2%	0.3%	19.7%	1295.4
US & Canadian Equities				
Dow Jones Industrials ($)	-0.4%	14.1%	32.7%	34928.6
S&P 500 ($)	-0.4%	17.0%	35.4%	4395.6
NASDAQ ($)	-1.1%	13.9%	38.6%	14673.7
S&P/ TSX Composite (C$)	0.3%	16.1%	24.2%	20248.0
UK & European Equities				
FTSE All-Share (£)	0.1%	9.7%	21.2%	4030.2
MSCI Europe ex UK (€)	0.1%	16.3%	29.4%	1666.3
Asian Equities				
Topix (¥)	-0.2%	5.3%	23.5%	1901.1
Hong Kong Hang Seng ($)	-5.0%	-4.7%	5.1%	25961.0
MSCI Asia Pac. Ex-Japan ($)	-1.7%	-0.3%	19.4%	660.3
Latin American Equities				
MSCI EMF Latin America ($)	3.0%	6.5%	24.3%	2611.7
Mexican Bolsa (peso)	1.4%	15.7%	37.3%	50994.8
Brazilian Bovespa (real)	-2.4%	2.6%	16.3%	122089.5
Commodities ($)				
West Texas Intermediate Spot	2.3%	52.4%	85.2%	74.0
Gold Spot Price	0.7%	-4.2%	-6.9%	1814.5
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.6%	-1.9%	0.8%	548.1
JPMorgan Emerging Mkt Bond	-0.1%	-0.5%	3.9%	928.7
10-Year Yield Change (basis points*)				
US Treasury	-4	32	69	1.23%
UK Gilt	-2	37	48	0.56%
German Bund	-4	11	8	-0.46%
Japan Govt Bond	0	0	0	0.02%
Canada Govt Bond	0	53	76	1.20%
Currency Returns**				
US$ per euro	0.8%	-2.9%	0.1%	1.186
Yen per US$	-0.7%	6.3%	4.8%	109.73
US$ per £	1.1%	1.7%	6.1%	1.390
C$ per US$	-0.7%	-2.0%	-7.1%	1.247

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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