# Weekly Update

## Stocks Slide on September Volatility

September 17, 2021

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### The Economy

- A resurgence of the highly contagious COVID-19 Delta variant challenged U.S. equity markets during the week ending September 17. Concerns about rising inflation and a potential end to the Federal Reserve's (Fed) bond-buying program further anchored U.S. stocks. Near-term volatility is expected to persist as September is historically a weak month for stocks.
- U.S. inflation expanded by 5.3% year over year in August, the largest annualized increase since 2008, as measured by the Department of Labor's consumer-price index, despite some investors' view that inflation has peaked. Core inflation (which excludes volatile food and energy prices) accelerated by 4.0% over the same period. The Fed continues to closely monitor price pressures in an effort to gauge the timing of potential interest-rate hikes.
- A sharp pullback in fuel prices combined with supply-chain disruptions and key materials shortages caused total import prices to deteriorate by 0.3% in August, registering the first decline in 10 months. Export prices grew by 0.4% during the month on increasing agricultural and nonagricultural costs.
- U.S. industrial production rose by 0.4% in August. Even with hurricane-related disruptions during the month, manufacturing output was able to generate solid growth. In the same period, capacity utilization (which reflects the operating limits of U.S. factories, mines and utilities) expanded to 76.4% for the highest monthly rate since March 2020 (a reading of less than 100% indicates that a company is producing than its fullest potential). Motor-vehicle production accounted for most of the gain.
- U.S. retail sales (which include purchases at stores, restaurants and online) rebounded in August, increasing by 0.7% from the previous month as Americans went back-to-school shopping.
- Consumer optimism inched higher to from to 70.2 to 71.0 in September, as measured by the University of Michigan's consumer sentiment survey, after ratcheting lower in the prior months amid anxiety that U.S. economic growth may stall amid the spike in COVID-19 cases and intensifying inflationary pressures.
- Mortgage-purchase applications widened by 8.0% for the week ending September 10, while refinancing applications diminished by 3.0%. The average interest rate on a 30-year fixed-rate mortgage slipped from 2.88% to 2.86% for the same period.
- The rate of initial jobless claims during the week ending September 11 increased from 312,000 to 332,000—but remained near recent pandemic lows, suggesting sustained healing in the labor market.

### Stocks

- Global equities closed lower during the week. Developed markets led emerging markets.
- U.S. equities were in negative territory. Energy and financials were the top performers, while materials and utilities lagged. Value stocks led growth stocks and small caps beat large caps.

### Bonds

The 10-year Treasury bond yield increased to 1.37%. Global bond markets were in negative territory this week. High-yield bonds led, followed by global corporates and global government bonds.

| The Numbers as of September 17, 2021 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indexes** | | | | |
| MSCI ACWI ($) | -0.3% | 13.8% | 28.9% | 735.2 |
| MSCI EAFE ($) | -0.6% | 10.2% | 23.8% | 2366.1 |
| MSCI Emerging Mkts ($) | -2.5% | -1.1% | 15.4% | 1276.8 |
| **US & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | -0.1% | 13.0% | 23.9% | 34571.6 |
| S&P 500 ($) | -0.6% | 18.0% | 32.1% | 4433.6 |
| NASDAQ ($) | -0.6% | 16.6% | 37.8% | 15031.9 |
| S&P/ TSX Composite (C$) | -0.8% | 17.4% | 26.0% | 20467.2 |
| **UK & European Equities** | | | | |
| FTSE All-Share (£) | -0.8% | 9.5% | 19.0% | 4023.3 |
| MSCI Europe ex UK (€) | 0.0% | 17.3% | 25.5% | 1681.5 |
| **Asian Equities** | | | | |
| Topix (¥) | 0.4% | 16.4% | 28.2% | 2100.2 |
| Hong Kong Hang Seng ($) | -4.9% | -8.5% | 2.4% | 24920.8 |
| MSCI Asia Pac. Ex-Japan ($) | -2.8% | -2.0% | 14.3% | 648.6 |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | -0.7% | -2.9% | 18.8% | 2380.7 |
| Mexican Bolsa (peso) | -0.2% | 16.7% | 42.4% | 51435.0 |
| Brazilian Bovespa (real) | -2.5% | -6.4% | 11.3% | 111435.0 |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | 2.7% | 47.6% | 74.8% | 71.6 |
| Gold Spot Price | -2.2% | -7.5% | -9.9% | 1751.6 |
| **Global Bond Indices ($)** | | | | |
| Barclays Global Aggregate ($) | -0.2% | -2.5% | 0.1% | 544.6 |
| JPMorgan Emerging Mkt Bond | 0.1% | 0.7% | 4.4% | 940.0 |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | 3 | 46 | 68 | 1.37% |
| UK Gilt | 9 | 65 | 66 | 0.85% |
| German Bund | 5 | 29 | 21 | -0.28% |
| Japan Govt Bond | 1 | 3 | 4 | 0.05% |
| Canada Govt Bond | 5 | 61 | 72 | 1.29% |
| **Currency Returns**** | | | | |
| US$ per euro | -0.7% | -4.0% | -1.0% | 1.173 |
| Yen per US$ | 0.0% | 6.5% | 5.0% | 109.97 |
| US$ per £ | -0.7% | 0.5% | 5.9% | 1.374 |
| C$ per US$ | 0.4% | 0.2% | -3.2% | 1.275 |

**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.**