Weekly Update
Stocks Spooked in September
October 1, 2021

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The Economy

- U.S. stocks faced significant headwinds during the week ending October 1. Investors were unsettled by rising long-term bond yields, the unrelenting spread of the COVID-19 delta variant and indications that the Federal Reserve will begin unwinding its support for the economy. U.S. stocks also recoiled on higher-than-expected inflation readings.
- The S&P 500 Index (a broad measure of equity markets) ended September down 4.8%, registering its first monthly decline since January 2021 and its largest drop since March 2020.
- Durable-goods orders rebounded by 1.8% in August, driven by transportation orders. Supply-chain constraints (shortages in labor and materials) continued to present challenges. Nevertheless, the report pointed to strength in the manufacturing sector. New orders for core capital goods, a closely watched proxy for business investment, were 0.5% higher for the month and 16.4% higher from one year ago.
- The U.S. housing market extended its hot streak in July as prices rose by 1.5% for the month and 19.7% year over year, according to the S&P CoreLogic Case-Schiller Home Price Index. Home prices have skyrocketed during 2021 and are now approximately 42% higher than their previous peak during the housing boom in 2006. Historically low mortgage rates promoted homebuyer purchasing power.
- The U.S. economy (as measured by gross domestic product) expanded at an annualized rate of 6.7% in the second quarter. Economic growth was solid but fell short of expectations due to labor shortages and a resurgence in supply-chain disruptions. Consumer spending (which accounts for nearly 70% of U.S. economic activity) spiked by 12.0% as Americans felt comfortable resuming their pre-pandemic spending habits, which provided a boost for restaurants, hotels and airlines.
- Consumer sentiment increased from 71.0 in August to 72.8 in September on confidence about vaccination rollout plans and fiscal relief, as measured by the University of Michigan's consumer sentiment survey.
- U.S. manufacturing activity (which accounts for approximately 12% of the country's economy) fell from 61.2 in August to 60.7 in September, as measured by Markit's manufacturing purchasing managers' index (PMI). Manufacturers have enjoyed spectacular growth due to powerful demand in recent months, while supply chain disruptions and a scarcity of factory employees have decreased manufacturing momentum. A similar report for the same month by The Institute for Supply Management (ISM) showed the sector's activity improved from 59.9 to 561.1 over the period, driven by strong order growth.
- Construction spending was unchanged in August—primarily on private residential projects, which grew 0.4%, while spending on nonresidential construction edged down by 1.0%.
- Mortgage-purchase applications fell by 1.0% for the week ending September 24, while refinancing applications diminished by 1.0%. The average interest rate on a 30-year fixed-rate mortgage inched higher from 2.88% to 3.01%.

Stocks

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

Bonds

The 10-year Treasury bond yield increased to 1.47%. 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 October 1, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-2.9%	9.8%	24.9%	709.5
MSCI EAFE ($)	-2.6%	6.2%	22.7%	2281.3
MSCI Emerging Mkts ($)	-0.9%	-3.0%	15.5%	1253.1
US & Canadian Equities				
Dow Jones Industrials ($)	-1.3%	12.2%	23.4%	34333.7
S&P 500 ($)	-2.1%	16.1%	29.0%	4360.7
NASDAQ ($)	-3.2%	13.0%	28.6%	14565.1
S&P/ TSX Composite (C$)	-1.2%	15.6%	24.6%	20160.2
UK & European Equities				
FTSE All-Share (£)	-0.8%	9.7%	22.4%	4029.0
MSCI Europe ex UK (€)	-2.2%	13.8%	24.8%	1631.6
Asian Equities				
Topix (¥)	-5.0%	10.1%	22.2%	1986.3
Hong Kong Hang Seng ($)	1.6%	-9.8%	4.8%	24575.6
MSCI Asia Pac. Ex-Japan ($)	-0.9%	-3.9%	13.8%	636.6
Latin American Equities				
MSCI EMF Latin America ($)	-3.0%	-9.1%	21.8%	2228.3
Mexican Bolsa (peso)	-0.2%	15.8%	39.3%	51019.6
Brazilian Bovespa (real)	-0.5%	-5.3%	18.1%	112726.4
Commodities ($)				
West Texas Intermediate Spot	2.4%	56.4%	96.0%	75.9
Gold Spot Price	0.5%	-7.1%	-7.8%	1759.5
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.8%	-4.1%	-0.9%	536.0
JPMorgan Emerging Mkt Bond	-0.8%	-1.5%	3.7%	919.4
10-Year Yield Change (basis points*)				
US Treasury	1	55	79	1.47%
UK Gilt	8	81	77	1.00%
German Bund	0	35	31	-0.23%
Japan Govt Bond	0	4	5	0.06%
Canada Govt Bond	9	79	92	1.47%
Currency Returns**				
US$ per euro	-1.1%	-5.1%	-1.3%	1.160
Yen per US$	0.3%	7.5%	5.2%	111.04
US$ per £	-1.0%	-0.9%	5.1%	1.355
C$ per US$	-0.1%	-0.7%	-4.9%	1.264

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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