Weekly Update
Equities Energized by Earnings
October 15, 2021

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The Economy

- U.S. stocks advanced during the week ending October 15 on upbeat third-quarter earnings reports. Stronger-than-expected economic indicators, such as a favorable retail sales boost, also encouraged equities to move higher.
- U.S. retail sales (which include purchases at stores, restaurants and online) unexpectedly rallied by 0.7% in September. Despite expectations that supply-chain disruptions (which have caused goods shortages) would result in decreased consumer activity, spending flourished during the month as students returned to school and workers headed back to the office.
- The number of U.S. job openings (a measure of labor demand) slipped from a record high of 10.9 million in July to 10.4 million August, as reported by the Department of Labor. Health care, leisure and food services businesses posted the largest reduction in job opportunities. The quits rate—which refers to employees who leave companies of their own accord and generally increases as the economy improves—moved to an all-time high of 4.3 million for the month, signaling worker confidence in finding new jobs. The U.S. economy is still coping with labor and raw material shortages.
- U.S. inflation expanded by 5.4% year over year in September—the largest annualized increase since 2008—as measured by the Department of Labor's consumer-price index, despite some investors' assumption that inflation has peaked. Core inflation (which excludes volatile food and energy prices) accelerated by 4.0% over the same period. The Federal Reserve continues to closely monitor price pressures in an effort to gauge the timing of potential interest-rate hikes.
- Producer prices jumped by 0.5% in September, according to the U.S. Department of Labor, signaling that inflation may escalate further. Costs for businesses surged 8.6% on an annual basis as the U.S. economy strengthened amid easing lockdown restrictions and climbing demand for goods and services. Supply-chain disruptions and materials shortages also buoyed prices for companies.
- A sharp jump in fuel and food prices, combined with key materials shortages, caused total import prices to expand by 0.4% in September. Export prices grew by a modest 0.1% during the month on increasing agricultural and nonagricultural costs.
- Consumer optimism deteriorated from to 72.8 to 71.4 in October, as measured by the University of Michigan's consumer sentiment survey. The survey indicated persistent anxiety related to stalling U.S. economic growth amid a spike in COVID-19 cases and intensifying inflationary pressures.
- The rate of initial jobless claims fell to a pre-pandemic low during the week ending October 9, decreasing from 329,000 to 293,000, which suggests sustained healing in the labor market.
- Mortgage-purchase applications advanced by 2.0% for the week ending October 8, while refinancing applications slumped by 1.0%. The average interest rate on a 30-year fixed-rate mortgage moved higher from 2.99% to 3.05%.

Stocks

- Global equities closed higher during the week. Developed markets led emerging markets.
- U.S. equities were in positive territory. Materials and information technology were the top performers, while health care and telecommunications lagged. Growth stocks led value stocks and small caps beat large caps.

Bonds

The 10-year Treasury bond yield decreased to 1.58%. Global bond markets were in positive territory this week. Global corporate bonds led, followed by high-yield bonds and global government bonds.

The Numbers as of October 15, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	1.3%	12.4%	24.9%	726.6
MSCI EAFE ($)	1.4%	7.1%	23.0%	2301.0
MSCI Emerging Mkts ($)	0.8%	-1.9%	13.0%	1266.7
US & Canadian Equities				
Dow Jones Industrials ($)	1.6%	15.3%	23.9%	35299.7
S&P 500 ($)	1.7%	19.0%	28.3%	4467.9
NASDAQ ($)	2.1%	15.5%	27.1%	14891.1
S&P/ TSX Composite (C$)	2.5%	20.1%	26.9%	20932.1
UK & European Equities				
FTSE All-Share (£)	1.9%	12.3%	25.5%	4124.0
MSCI Europe ex UK (€)	1.7%	16.0%	26.9%	1662.7
Asian Equities				
Topix (¥)	3.2%	12.1%	24.0%	2023.9
Hong Kong Hang Seng ($)	2.0%	-7.0%	4.9%	25331.0
MSCI Asia Pac. Ex-Japan ($)	0.7%	-3.0%	10.8%	642.1
Latin American Equities				
MSCI EMF Latin America ($)	1.0%	-8.4%	17.6%	2246.2
Mexican Bolsa (peso)	3.0%	19.6%	38.5%	52695.8
Brazilian Bovespa (real)	1.5%	-3.7%	15.6%	114555.1
Commodities ($)				
West Texas Intermediate Spot	3.7%	69.6%	100.9%	82.3
Gold Spot Price	0.5%	-6.7%	-7.1%	1767.9
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.4%	-4.1%	-1.3%	536.0
JPMorgan Emerging Mkt Bond	0.4%	-1.7%	2.3%	917.5
10-Year Yield Change (basis points*)				
US Treasury	-4	66	84	1.58%
UK Gilt	-5	91	92	1.10%
German Bund	-2	40	44	-0.17%
Japan Govt Bond	0	6	6	0.08%
Canada Govt Bond	-4	91	102	1.59%
Currency Returns**				
US$ per euro	0.3%	-5.0%	-0.9%	1.160
Yen per US$	1.8%	10.6%	8.3%	114.24
US$ per £	1.0%	0.6%	6.5%	1.375
C$ per US$	-0.7%	-2.7%	-6.4%	1.238

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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