Weekly Update

Up, Up, Up…The Equity Bull Run Continues

October 22, 2021

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The Economy

- U.S. stocks hit record highs during the week ending October 22, registering three consecutive weeks of gains on strong third-quarter earnings. Meanwhile, U.S. economic reports were mixed.
- U.S. industrial production unexpectedly dipped 1.3% in September. The technology processing chip shortage combined with hurricane-related disruptions in the oil patch hurt manufacturing output during the month. In the same period, capacity utilization (which reflects the operating limits of U.S. factories, mines and utilities) slid to 75.2% (a reading of less than 100% indicates that a company is producing less than its fullest potential), as worker shortages hampered production.
- The outlook for single-family homes improved in October, according to the National Association of Home Builders/Wells Fargo Housing Market Index, propelled by robust demand. In the coming months, however, supply shortages and surging material prices may present challenges. Lumber prices are approximately 40% higher this month compared to August.
- Existing-home sales smashed expectations and jumped to an annualized pace of 6.29 million in September from 5.88 million in August. Limited housing inventory—which the National Association of Realtors reported hit a record low of 1.03 million in February (down 29.5% from a year earlier)—is expected to drive existing-home prices higher, further reducing affordability for first-time homebuyers. However, housing inventory is expected to increase in the coming months as mortgage forbearance programs slowly phase out.
- U.S. economic health expanded by a modest 0.2% in September (as measured by the Conference Board's leading economic index, a composite of 10 forward-looking components) and is expected to continue to strengthen for the remainder of 2021 on consumer demand (a leading indicator is an economic factor that shifts before the rest of the economy begins to move in a particular direction). The spread of the COVID-19 Delta variant alongside swelling inflation fears pose headwinds for the economic outlook.
- Preliminary estimates for the October reading of Markit's U.S. purchasing managers' index (PMI) showed that manufacturing activity fell to 59.2 from 60.5 during the month. The report pointed to increased momentum in services activity, which gained to 58.2 from 54.4 over the same period. Record-high supply-chain disruptions slowed manufacturing's momentum in recent months, while services activity overcame shortages of materials and labor.
- The rate of initial jobless claims fell to a pre-pandemic low during the week ending October 16, decreasing from 296,000 to 290,000, which suggested sustained healing in the labor market.
- Mortgage-purchase applications dropped by 5.0% for the week ending October 15, while refinancing applications slumped by 7.0%. The average interest rate on a 30-year fixed-rate mortgage continued to advance higher from 3.05% to 3.09%.

Stocks

- Global equities shrugged off pandemic, supply chain, energy and inflation concerns as emerging markets led developed markets.
- U.S. equities closed the week near record-highs. Financials and utilities were the top performers, while energy and telecommunications lagged. Growth stocks led value stocks and large caps beat small caps.

Bonds

The 10-year Treasury bond yield increased to 1.64%. Global bond markets were in negative territory this week. High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of October 22, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	1.3%	14.9%	28.0%	742.5
MSCI EAFE ($)	0.2%	8.5%	24.3%	2329.8
MSCI Emerging Mkts ($)	0.7%	0.1%	13.8%	1293.0
US & Canadian Equities				
Dow Jones Industrials ($)	1.1%	16.6%	25.8%	35677.0
S&P 500 ($)	1.7%	21.0%	31.6%	4545.7
NASDAQ ($)	1.3%	17.1%	31.2%	15090.2
S&P/ TSX Composite (C$)	1.4%	21.7%	30.3%	21216.3
UK & European Equities				
FTSE All-Share (£)	-0.4%	11.8%	25.7%	4108.9
MSCI Europe ex UK (€)	0.2%	17.1%	28.8%	1677.6
Asian Equities				
Topix (¥)	-1.1%	10.9%	23.6%	2002.2
Hong Kong Hang Seng ($)	3.1%	-4.1%	5.4%	26126.9
MSCI Asia Pac. Ex-Japan ($)	1.5%	-0.3%	12.8%	659.9
Latin American Equities				
MSCI EMF Latin America ($)	-5.6%	-11.5%	9.5%	2168.9
Mexican Bolsa (peso)	-1.7%	17.8%	34.3%	51890.7
Brazilian Bovespa (real)	-7.3%	-10.7%	4.3%	106319.0
Commodities ($)				
West Texas Intermediate Spot	2.8%	74.4%	109.1%	84.6
Gold Spot Price	1.7%	-5.1%	-5.4%	1797.4
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.3%	-4.4%	-1.8%	533.9
JPMorgan Emerging Mkt Bond	-0.4%	-2.1%	2.7%	913.9
10-Year Yield Change (basis points*)				
US Treasury	7	72	78	1.64%
UK Gilt	4	95	86	1.14%
German Bund	6	47	46	-0.11%
Japan Govt Bond	1	8	6	0.10%
Canada Govt Bond	7	97	99	1.65%
Currency Returns**				
US$ per euro	0.4%	-4.7%	-1.5%	1.164
Yen per US$	-0.7%	9.9%	8.2%	113.45
US$ per £	0.1%	0.7%	5.2%	1.376
C$ per US$	0.0%	-2.8%	-5.9%	1.237

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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