Weekly Update
Economic Growth Slows Its Roll
October 29, 2021

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The Economy

- U.S. economic growth continued to slow in the third quarter from its peak recorded in the second quarter of last year (as measured by gross domestic product)—disappointing expectations with an annualized rate of 2.0% due to reduced consumer spending, labor shortages and a resurgence of supply-chain disruptions. Consumer spending (which accounts for nearly 70% of U.S. economic activity) increased by a modest 1.6% during the quarter. Higher prices eroded consumer's purchasing power, while supply bottlenecks left store shelves empty.
- Consumer confidence rebounded in October after deteriorating for three consecutive months despite short-term inflation concerns as the spread of the COVID-19 Delta variant began to slow.
- The U.S. housing market extended its hot streak in August as prices rose by 1.4% for the month and 19.8% 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.
- New-home sales hit a six-month high in September, jumping to an annualized pace of 800,000 from 702,000 in August. The buying frenzy is expected to retreat in the coming months with workers back in the office and children back to school. Shortages of key building materials should also cause a reduction in new home sales.
- Durable-goods orders diminished by 0.4% in September as 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 0.8% higher for the month and 16.5% higher from one year ago.
- Consumer sentiment increased from 71.4 in September to 71.7 in October, as measured by the University of Michigan's consumer sentiment survey. Sentiment remains stubbornly low amid concerns of historically high inflation and dwindling confidence in the U.S. government's economic policies.
- The rate of initial jobless claims fell to a pre-pandemic low during the week ending October 23, from 291,000 to 281,000, suggesting a still-healing labor market.
- Mortgage-purchase applications advanced by 4.0% for the week ending October 29, while refinancing applications slumped by 2.0%. The average interest rate on a 30-year fixed-rate mortgage continued to increase, moving to 3.14% from 3.09% in the prior week.

Stocks

- Global equities closed higher during the week. Developed markets led emerging markets.
- U.S. equities closed the week near record-highs. Telecommunications and information technology were the top performers, while financials and energy lagged. Growth stocks led value stocks and large caps beat small caps.

Bonds

The 10-year Treasury bond yield fell to 1.56%. 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 29, 2021	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.6%	15.6%	34.0%	747.0
MSCI EAFE ($)	0.7%	9.6%	31.6%	2354.5
MSCI Emerging Mkts ($)	-1.3%	-1.2%	13.9%	1276.1
US & Canadian Equities				
Dow Jones Industrials ($)	0.4%	17.0%	34.4%	35819.6
S&P 500 ($)	1.2%	22.5%	39.0%	4599.5
NASDAQ ($)	2.7%	20.3%	38.6%	15498.4
S&P/ TSX Composite (C$)	-0.6%	20.9%	34.5%	21084.3
UK & European Equities				
FTSE All-Share (£)	0.5%	12.4%	31.0%	4129.2
MSCI Europe ex UK (€)	0.7%	18.6%	38.0%	1699.2
Asian Equities				
Topix (¥)	-0.1%	10.9%	24.2%	2001.2
Hong Kong Hang Seng ($)	-2.9%	-6.8%	3.2%	25377.2
MSCI Asia Pac. Ex-Japan ($)	-1.0%	-1.3%	12.9%	653.8
Latin American Equities				
MSCI EMF Latin America ($)	0.7%	-12.3%	17.2%	2149.3
Mexican Bolsa (peso)	-1.1%	16.5%	39.5%	51329.6
Brazilian Bovespa (real)	-2.5%	-12.9%	7.4%	103683.3
Commodities ($)				
West Texas Intermediate Spot	-1.2%	72.2%	131.0%	83.6
Gold Spot Price	-1.1%	-6.1%	-4.8%	1778.2
Global Bond Indices ($)				
Barclays Global Aggregate ($)	0.5%	-3.8%	-0.8%	537.4
JPMorgan Emerging Mkt Bond	0.8%	-1.3%	4.0%	921.6
10-Year Yield Change (basis points*)				
US Treasury	-7	64	74	1.56%
UK Gilt	-11	84	81	1.03%
German Bund	0	47	53	-0.11%
Japan Govt Bond	0	8	7	0.10%
Canada Govt Bond	8	106	110	1.73%
Currency Returns**				
US$ per euro	-0.7%	-5.4%	-1.0%	1.156
Yen per US$	0.4%	10.4%	9.0%	113.98
US$ per £	-0.5%	0.1%	5.8%	1.368
C$ per US$	0.1%	-2.7%	-7.1%	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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