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Wealth Management & Financial Planning Services

Market Month: July 2021

The Markets (as of market close July 30, 2021)

Stocks closed generally higher in July, despite a downturn at the end of the month. Second-quarter corporate earnings data was generally strong, although some megacap companies posted weaker-than-expected earnings results. Economic news was mostly favorable. The economy expanded at an annualized rate of 6.5%, 850,000 new jobs were added, while the number of new unemployment claims declined. Industrial production rose, as did new orders for durable goods.

The housing market showed signs of slowing from its torrid pace earlier in the year. Inflation continued to run hot as consumer prices jumped 0.9%. The Federal Reserve indicated that, while the economy continues to show signs of growth, the interest rate target range and bond-buying measures will remain in place for some time.

The major indexes enjoyed a strong month, led by the S&P 500. Only the Russell 2000 and the Global Dow failed to post monthly gains. Each of the benchmarks are well ahead of their 2020 year-end values, led by the S&P 500, followed by the Global Dow, the Dow, the Nasdaq, and the Russell 2000.

The market sectors ended the month generally higher, with health care (4.7%), real estate (4.6%), utilities (4.2%), and information technology (3.8%) advancing, while energy (-8.4%) and financial services (-0.6%) fell. Treasury yields, crude oil prices, and the dollar slid from the June closing values. Gold prices advanced.

Stock Market Indexes

Market/Index	2020 Close	Prior Month	As of July 30	Monthly Change	YTD Change
DJIA	30,606.48	34,502.51	34,935.47	1.25%	14.14%
Nasdaq	12,888.28	14,503.95	14,672.68	1.16%	13.85%
S&P 500	3,756.07	4,297.50	4,395.26	2.27%	17.02%
Russell 2000	1,974.86	2,310.55	2,226.25	-3.65%	12.73%
Global Dow	3,487.52	4,001.68	3,981.32	-0.51%	14.16%
Fed. Funds target rate	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps
10-year Treasuries	0.91%	1.44%	1.23%	-21 bps	32 bps
US Dollar-DXY	89.84	92.34	92.14	-0.22%	2.56%
Crude Oil-CL=F	$48.52	$73.51	$73.81	-0.41%	52.12%
Gold-GC=F	$1,893.10	$1,770.50	$1,816.70	2.61%	-4.04%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Key Dates/Data Releases

8/2: Markit PMI

8/4: Markit services PMI

8/5: International trade in goods and services

8/6: Employment situation

8/9: JOLTS

8/11: Treasury budget, Consumer Price Index

8/12: Producer Price Index

8/13: Import and export prices

8/17: Retail sales, industrial production

8/18: Housing starts

8/23: Existing home sales

8/24: New home sales

8/25: Durable goods orders

8/26: GDP

8/27: Personal income and outlays, international trade in goods

Latest Economic Reports

- **Employment:** Job growth in June exceeded expectations following the addition of 850,000 new jobs. The May figure was revised up from 559,000 to 583,000. Overall, 1.7 million new jobs were added over the second quarter of 2021. Notable job growth in June occurred in leisure and hospitality (+343,000), with over half the job gain coming from food services and drinking places (+194,000). Job gains also occurred in public and private education (+269,000), professional and business services (+72,000), and retail trade (+67,000). In June, the unemployment rate inched up 0.1 percentage point to 5.9%, with the number of unemployed persons rising by 168,000 to 9.5 million. These measures are down considerably from their recent highs in April 2020 but remain well above their levels prior to the pandemic (3.5% and 5.7 million, respectively, in February 2020). Among the unemployed, the number of persons on temporary layoff was essentially unchanged at 1.8 million. This measure is down considerably from the recent high of 18.0 million in April 2020 but is 1.1 million higher than in February 2020. The number of job leavers, that is, unemployed persons who quit or voluntarily left their previous job and began looking for new employment, increased by 164,000 to 942,000 in June. In June, the number of persons not in the labor force who currently want a job was 6.4 million, little changed over the month but up by 1.4 million since February 2020. In June, the number of employed persons who teleworked because of the pandemic fell to 14.4%, down from 16.6% in the prior month. In June, 6.2 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. This measure is down from 7.9 million in May. in June, the labor force participation rate and the employment-population ratio were unchanged at 61.6% and 58.0%, respectively. Average hourly earnings increased by $0.10 to $30.40 in June after increasing $0.15 in May. Average hourly earnings are up 3.6% from June 2020. The average work week dipped from 34.9 hours in May to 34.7 hours in June.
- The number of claims for unemployment insurance continue to fall gradually. According to the latest weekly totals, as of July 17 there were 3,269,000 workers receiving unemployment insurance benefits, down from the June 19 total of 3,484,000. The unemployment rate for the week ended July 17 was 2.4%, unchanged from a month earlier. During the week ended July 10, Extended Benefits were available in 12 states; 47 states and territories reported 5,246,162 continued weekly claims for Pandemic Unemployment Assistance benefits (5,950,167 in June), and 46 states and territories reported 4,233,883 continued claims for Pandemic Emergency Unemployment Compensation benefits (5,273,180 in June).
- **FOMC/interest rates:** Following its meeting in July, the Federal Open Market Committee decided to keep the target range for the federal funds rate at 0.00%-0.25% and expects to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment, and inflation has risen to 2% and is on track to moderately exceed 2% for some time. The FOMC also decided to continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month.
- **GDP/budget:** According to the advance estimate, the economy accelerated at an annual rate of 6.5% in the second quarter of 2021 after advancing 6.3% in the first quarter of 2021. Consumer spending, as measured by personal consumption expenditures, increased 11.8% in the second quarter after rising 11.4% in the prior quarter. In the second quarter, nonresidential (business) fixed investment climbed 8.0% following a 12.9% increase in the first quarter; residential fixed investment fell 9.8% after increasing 13.3% in the first quarter. Exports rose 6.0% in the second quarter after decreasing 2.9% in the first quarter, and imports (which are a negative in the calculation of GDP) increased 7.8% in the second quarter (9.3% in the first quarter). The personal consumption expenditures price index (cost of consumer goods and services) increased 6.4% in the second quarter, compared with a 3.8% rise in the first quarter.
- The Treasury budget deficit was $174.2 billion in June, following the May deficit of $132.0 billion. The deficit is nearly 80.0% smaller than the pandemic-inflated deficit of June 2020. Following the latest increase, the budget deficit through the first nine months of the current fiscal year widened to $2.24 trillion, 18.0% lower than last year's deficit over the same period. Compared to last fiscal year, government expenditures have declined 6.0%, while receipts have increased 35.0%.
- **Inflation/consumer spending:** Inflationary pressures continued to advance in June. According to the latest Personal Income and Outlays report, consumer prices edged up 0.5% in June, the same increase as May. Prices have increased 4.0% since June 2020. Excluding food and energy, consumer prices rose 0.4% in June (0.5% in May) and 3.5% since June 2020. Personal income increased 0.1% in June after falling 2.2% in May. Compensation of employees rose 0.7% in June, with wages and salaries increasing 0.8%. Disposable personal income was essentially unchanged in June from May. Consumer spending rose 1.0% in June following a 0.1% dip in May.
- The Consumer Price Index climbed 0.9% in June — the largest one-month increase since June 2008.

Over the 12 months ended in June, the CPI rose 5.4% — the largest 12-month increase since a 5.4% increase for the period ended in August 2008. A 10.5% rise in prices for cars and trucks accounted for more than one-third of the overall June price increase. Food prices increased 0.8% and energy prices rose 1.5%, with gasoline prices climbing 2.5%. Core prices, excluding food and energy, climbed 0.9% in June and have advanced 4.5% over the last 12 months — the largest 12-month increase since the period ended in November 1991. Over the last 12 months, energy prices have risen 24.5% and food prices have increased 2.4%.

- Prices that producers receive for goods and services continued to climb in June, increasing 1.0% after advancing 0.8% in May. Producer prices increased 7.3% for the 12 months ended in June, the largest yearly gain since November 2010 when 12-month data was first calculated. In June, prices for services rose 0.8% and prices for goods moved up 1.2%. Producer prices less foods, energy, and trade services advanced 0.5% in June and have risen 5.5% since June 2020, the largest 12-month increase since August 2014.
- **Housing:** Over the past several months, residential sales have slowed. In June, sales of existing homes increased for the first time in the last five months, climbing 1.4% after decreasing 0.9% in May. Over the past 12 months, existing home sales increased 22.9%. The median existing-home price was $363,300 in June ($350,300 in May), up 23.4% from May 2020. Unsold inventory of existing homes represented a 3.3-month supply in June, higher than the 2.5-month supply in May. Sales of existing single-family homes rose 1.4% in June following a 1.0% drop in May. Year over year, sales of existing single-family homes rose 19.3%. The median existing single-family home price was $370,600 in June, up from $356,600 in May.
- New single-family home sales declined in June for the third consecutive month. New home sales fell 6.6% in June after falling 5.9% in May. Sales of new single-family homes have decreased 19.4% from June 2020. The median sales price of new single-family houses sold in June was $361,800 ($374,400 in May). The June average sales price was $428,700 ($430,600 in May). The inventory of new single-family homes for sale in June represents a supply of 6.3 months at the current sales pace, up from the May estimate of 5.5 months.
- **Manufacturing:** Industrial production increased 0.4% in June after advancing 0.7% the previous month. Manufacturing output edged down 0.1% in June following a 0.9% increase in May. In June, mining increased 1.4% (1.2% in May) and utilities rose 2.7% (0.2% in May). Total industrial production in June was 9.8% higher than its year-earlier level, but it was 1.2% below its pre-pandemic (February 2020) level.
- New orders for durable goods increased 0.8% in June after climbing 3.2% in May. Transportation equipment, up for two consecutive months, led the increase, climbing 2.1% in June. Excluding transportation, new orders increased 0.3% in June. Excluding defense, new orders rose 1.0%. New orders for capital goods advanced 2.6% in June following a 6.9% increase in May. New orders for nondefense capital goods increased 3.1% in June, while new orders for defense capital goods fell 1.5%.
- **Imports and exports:** Both import and export prices rose in June for the seventh consecutive month. Import prices climbed 1.0% following a 1.4% advance in May. Import prices rose 11.2% over the 12 months ended in June. Import fuel prices increased 4.7% in June following a 4.0% jump in May. Import fuel prices advanced 85.1% for the year ended in June. Nonfuel import prices climbed 0.7% in June following a 0.9% advance in May. Export prices increased 1.2% in June after climbing 2.2% in May. For the year ended in June, the price index for exports rose 16.8%. Agricultural export prices increased 1.5% in June following a 6.1% advance in May. Nonagricultural exports rose 1.1% in June after increasing 1.7% in May.
- The international trade in goods deficit was $91.2 billion in June, up $3.0 billion, or 3.5%, from May. Exports increased $0.5 billion, or 0.3%, while imports rose $3.5 billion, or 1.5%. For the 12 months ended in June, exports have risen 40.6%, while imports have increased 35.5%.
- The latest information on international trade in goods and services, out July 2, is for May and shows that the goods and services trade deficit increased by 3.1% to $71.2 billion. May exports rose 0.6%, while imports increased 1.3%. Year over year, the goods and services deficit increased $110.9 billion, or 45.8%, from May 2020. Exports increased $101.6 billion, or 11.4%. Imports increased $212.5 billion, or 18.7%.
- **International markets:** While inflation continues to heat up in the United States, other parts of the world are not seeing that trend. Japanese consumer prices continue to hover near zero, and the Bank of Japan does not expect its 2.0% target to be met in the next few years. On the other hand, other parts of the world are seeing mounting inflationary pressures. The Producer Price Index in Germany rose in June, pushing the annual inflation rate to 8.5%. The German Consumer Price Index is up 3.8% since June 2020. Overall, global markets were mixed in June. Solid earnings data and continuing quantitive easing helped lift investor confidence in some areas, which was tempered by the spread of covid virus

strains. For June, the STOXX Europe 600 Index gained about 0.9%; the United Kingdom's FTSE dipped 0.3%; Japan's Nikkei 225 Index fell 5.2%; and China's Shanghai Composite Index declined nearly 3.5%.

- **Consumer confidence:** According to the latest report from the Conference Board, consumer confidence was relatively unchanged in July. The Consumer Confidence Index® stands at 129.1, up marginally from 128.9 in June. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, rose from 159.6 in June to 160.3 in July. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, was virtually unchanged at 108.4 in July compared to 108.5 in June. According to the report, consumer confidence was flat in July but remains at its highest level since the onset of the pandemic in February 2020.

Eye on the Month Ahead

While the summer began with an easing of pandemic-related restrictions, which helped spur economic growth, the rapid spread of the coronavirus, particularly the Delta strain, raises the possibility of reinstituting some of those same restrictions in August. Job growth and industrial production, which had been steadily improving, may be stunted as we move into the later part of the summer and into the fall.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuate with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.
