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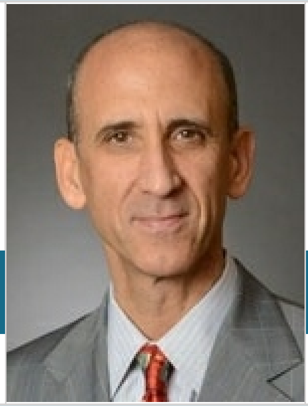

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In this week's recap: Mixed market results as labor numbers cope with uncertainty.

Weekly Economic Update

Presented by Ed Papier, May 10, 2021

THE WEEK ON WALL STREET

Stocks closed mixed last week as signs of continued economic recovery and upbeat earnings helped some sectors while the struggles persisted for high-growth companies.

The Dow Jones Industrial Average gained 2.67%, while the Standard & Poor's 500 rose 1.23%. But the Nasdaq Composite index, home for many high-growth companies, lost 1.51%. The MSCI EAFE index, which tracks developed overseas stock markets, advanced 1.20%.[1,2,3]

MIXED MARKET

Energy, financials, materials, and industrials led the market higher on more upbeat news regarding the economic recovery.

But technology and other high-valuation companies didn't participate in the rally, weighed down by Treasury Secretary Janet Yellen's comments that interest rates may need to rise. Despite a decline in long bond yields, high growth stocks were under selling pressure for most of the week.[4]

On Friday, a miss on April employment numbers seemed to dial back fears that the Fed might have to adjust interest rates. Stocks rallied on the news, especially some of the hard hit high-valuation companies.[5]

LABOR MARKET PUZZLE

The labor market appears to be gaining momentum ahead of a fuller summer reopening. The Automated Data Processing National Employment Report showed that private payrolls rose by 742,000 jobs (the largest gain since September 2020), while new jobless claims fell to under 500,000, sending its four-week average to the lowest point since the pandemic began.[6,7]

With expectations set very high, the April employment report (266,000 new jobs) came in well short of the consensus estimate of one million new jobs. Businesses have complained about difficulties in hiring workers, with individuals delaying their return to the workforce due to health concerns and ongoing school closings.[5]

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Job Openings and Labor Turnover Survey (JOLTS).

Wednesday: Consumer Price Index (CPI).

Thursday: Jobless Claims.

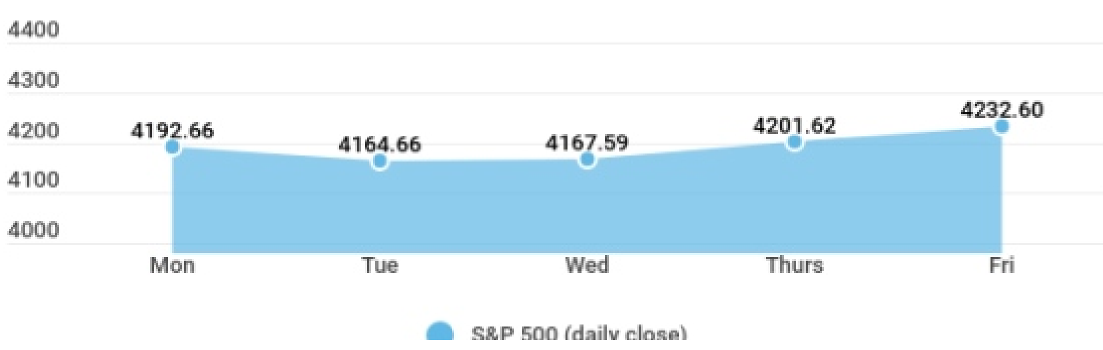
Friday: Industrial Production. Consumer Sentiment.

QUOTE OF THE WEEK

"Experience hath shewn, that even under the best forms of government those entrusted with power have, in time, and by slow operations, perverted it into tyranny."

THOMAS JEFFERSON

Market Index	Close	Week	Y-T-D
DJIA	34,777.76	+2.67%	+13.63%
NASDAQ	13,752.24	-1.51%	+6.70%
MSCI-EAFE	2,295.82	+1.20%	+6.91%
S&P 500	4,232.60	+1.23%	+12.69%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.60%	-0.03%	+0.67%

Sources: The Wall Street Journal, May 7, 2021; Treasury.gov, May 7, 2021
Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, April 30, to Friday, May 7, close. Weekly performance for the MSCI-EAFE is measured from Friday, April 30, open to Thursday, May 6, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

OF NOTE

QE revisited: Treasury Secretary Janet Yellen sent markets into a tizzy on Tuesday when she said interest rates may have to rise to keep the economy from overheating with all the government stimulus. But later in the day, she walked those comments back, claiming inflation isn't going to be a problem and insisting that she wasn't suggesting or predicting rate hikes. Yellen's flipflop is telling. Even if inflation is an issue (and it is), there isn't anything the Federal Reserve can do about it. Yellen's comments spooked markets that are already worried that the Fed might tighten monetary policy sooner than later to deal with increasing price inflation. Tech stocks in particular were hammered after Yellen's talk. The bottom line is the US government can't afford rising rates. And it certainly can't have the Fed tapering its bond purchases. In fact, one might argue Uncle Sam is going to need the Fed to step up its quantitative easing in order to monetize the additional borrowing that's looming in the future. The administration might pretend that all of its proposed spending will be paid for by tax hikes, but they're living in a fantasy land. The government will pay for Biden's infrastructure plan and the "American Families Plan" the same way it paid for all of the coronavirus stimulus spending. It will sell bonds. That means the Fed will have to keep buying bonds with money printed out of thin air in order to keep the bond market from completely imploding. A somewhat sarcastic cartoon from 11 years ago, "Quantitative Easing Explained", might still be pertinent today. Your thoughts?

https://www.youtube.com/watch?v=PTUY16CkS-k&list=PLX9rPXD2bm_a5e0PRymTro3nr3AoEtkDa&index=77

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Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

CITATIONS:

1. The Wall Street Journal, May 7, 2021
2. The Wall Street Journal, May 7, 2021
3. The Wall Street Journal, May 7, 2021
4. FoxBusiness.com, May 4, 2021
5. CNBC, May 7, 2021
6. Reuters, May 5, 2021
7. The Wall Street Journal, May 6, 2021