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In this week's recap: As consumer prices take a big step up, stocks take a step in the other direction.

Weekly Economic Update

Presented by Ed Papier, May 17, 2021

THE WEEK ON WALL STREET

A surge in consumer inflation unsettled investors, leading to a turbulent week of trading on Wall Street.

The Dow Jones Industrial Average slipped 1.14%, while the Standard & Poor's 500 fell 1.39%. The Nasdaq Composite index dropped 2.34% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, lost 3.02%.^{1,2,3}

INFLATION CONCERNS

The market has been troubled recently by building inflationary pressures. Investors are concerned that rising prices may hurt corporate profits and force the Fed to tighten its monetary policy sooner than anticipated. Worse, investors fear the Fed may have to react more aggressively if it waits too long to act.

After back-to-back losses, the retreat in stock prices culminated on Wednesday, following the release of the higher-than-anticipated Consumer Price Index (CPI) report.

Stocks managed to claw back some of the week's losses with a Thursday-Friday rebound, sparked by investors doing some bargain hunting.

CONSUMER PRICES SPIKE

Wednesday's release of April's CPI inflamed investors' inflation fears, as consumer prices rose 0.8% in April and jumped by 4.2% year-over-year. These numbers were above expectations.⁴

April price increases were led by a remarkable 10% increase in used cars, with additional pockets of sharp increases, notably in transportation services and commodities. Perhaps equally concerning is that energy costs showed a decline during April, a price weakness that may reverse in the coming months.⁵

Core inflation, which excludes the more volatile food and energy prices, was up a more modest 3.0% from April 2020.⁶

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Housing Starts.

Wednesday: FOMC (Federal Open Market Committee) Minutes.

Thursday: Jobless Claims. Index of Leading Economic Indicators.

Friday: Existing Home Sales. PMI (Purchasing Managers Index) Composite Flash.

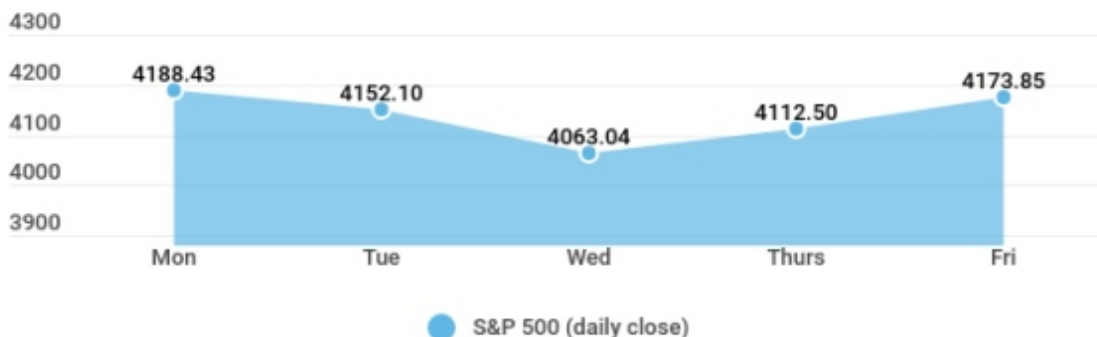
QUOTE OF THE WEEK



"Those who tell the stories rule society."

PLATO

Market Index	Close	Week	Y-T-D
DJIA	34,382.13	-1.14%	+12.34%
NASDAQ	13,429.98	-2.34%	+4.20%
MSCI-EAFE	2,254.21	-3.02%	+4.97%
S&P 500	4,173.85	-1.39%	+11.12%



Treasury	Close	Week	Y-T-D
10-Year Note	1.63%	+0.03%	+0.70%

Sources: The Wall Street Journal, May 14, 2021; Treasury.gov, May 14, 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, May 7, to Friday, May 14, close. Weekly performance for the MSCI-EAFE is measured from Friday, May 7, open to Thursday, May 13, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

OF NOTE

Bitcoin: Appeal to investors or "Ratcoin Squared"?

Pro: <https://www.crystalfunds.com/insights/what-is-bitcoin-and-why-does-it-appeal-to-investors?>

Con: <https://wallstreetonparade.com/2021/05/the-smartest-guys-in-the-room-call-bitcoin-rat-poison-squared-a-colossal-pump-and-dump-scheme-and-a-big-criminal-scam-but-federal-regulators-look/>

What are your thoughts?

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, 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.

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CITATIONS:

1. The Wall Street Journal, May 14, 2021
2. The Wall Street Journal, May 14, 2021
3. The Wall Street Journal, May 14, 2021
4. CNBC, May 12, 2021
5. U.S. Bureau of Labor Statistics, May 12, 2021
6. U.S. Bureau of Labor Statistics, May 12, 2021