



STILES FINANCIAL SERVICES
INCORPORATED

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Market Week: October 4, 2021

The Markets (as of market close October 1, 2021)

A rally last Friday helped drive stocks generally higher last week. The Dow, the Russell 2000, and the Global Dow were able to post gains, while the Nasdaq and the S&P 500 closed the week in the red. Declines in the market sectors were broad-based, with only energy (5.8%) climbing higher. Growth shares fared worse than value stocks, as evidenced by the dip in the tech-heavy Nasdaq. While the federal government averted a partial shutdown, no progress was made on raising the federal debt limit. Investors also saw the prospects of inflationary pressures continuing as supply constraints are driving production costs higher. Ten-year Treasury yields rose 13 basis points to 1.46%. Some analysts suggest that a spike in Treasury yields may be reflective of investors' expectations that the Federal Reserve could start tightening its monetary policies as early as November. Crude oil prices increased more than \$5.00 per barrel. The dollar continued its bullish run, while gold prices dipped.

Stocks opened the week mixed, with the Dow, the Russell 2000, and the Global Dow gaining, while the Nasdaq and the S&P 500 lost value. The dollar and crude oil prices advanced. Bond prices slid, increasing the yield on 10-year Treasuries to 1.48%. Rising bond yields could weigh on growth stocks, particularly in the technology sector, which generally has low dividend yields. Energy and financials led the market sectors, while health care, information technology, utilities, and real estate dipped.

Stocks tumbled last Tuesday on growing concern over the debt-ceiling impasse in Washington. Technology shares underperformed, pulling the Nasdaq down 2.8% — its largest single-day decline since March. The Russell 2000 fell 2.3%, followed by the S&P 500 (-2.0%), the Dow (-1.6%), and the Global Dow (-1.1%). Ten-year Treasury yields reached 1.53%, a mark not approached since late June. The dollar rose for the second consecutive day, while crude oil prices fell. The market sectors declined, with information technology (-3.0%) and communication services (-2.8%) falling the furthest. Energy (0.5%) was the only sector to gain ground.

The market yielded mixed returns last Wednesday. Consumer staples, health care, utilities, and real estate helped push the large caps of the Dow (0.3%) and the S&P 500 (0.2%) higher, while a pullback in tech shares dragged the Nasdaq (-0.2%) lower. The Russell 2000 (-0.3%) and the Global Dow (-0.2%) also fell. Ten-year Treasury yields pushed higher, while the dollar climbed to its highest level since November 2020. Crude oil prices receded but remained well over \$74.00 per barrel.

Equities dipped lower last Thursday, despite confirmation that Congress passed a nine-week spending bill to temporarily avert a U.S. government shutdown. Each of the indexes listed here closed in the red, led by the Dow (-1.6%), followed by the S&P 500 (-1.2%), the Russell 2000 (-0.9%), the Global Dow (-0.9%), and the Nasdaq (-0.4%). The dollar and 10-year Treasury yields fell, while crude oil prices rose. All of the market sectors declined, with industrials (-2.1%) and consumer staples (-1.9%) falling the furthest, while financials, materials, and real estate each fell 1.6%.

Stocks had their best day of the week last Friday, with dip-buying driving cyclicals higher. Investors got promising news about a new COVID-19 medication. Each of the indexes posted gains, led by the Russell 2000 (1.7%), followed by the Dow (1.4%), the S&P 500 (1.2%), the Nasdaq (0.8%), and the Global Dow (0.4%). Bond prices rose, pulling the yields on 10-year Treasuries lower. The dollar slid, while crude oil prices advanced. Energy (3.3%), communication services (1.8%), financials (1.6%), information technology (1.4%), and industrials (1.4%) led the market sectors.





Key Dates/Data Releases

10/5: International trade in goods and services, Markit Services PMI

10/8: Employment situation

The national average retail price for regular gasoline was \$3.175 per gallon on September 27, \$0.009 per gallon less than the prior week's price but \$1.006 higher than a year ago. Gasoline production increased during the week ended September 24, averaging 9.9 million barrels per day. U.S. crude oil refinery inputs averaged 15.4 million barrels per day during the week ended September 24 — 67,000 barrels per day more than the previous week's average. Refineries operated at 88.1% of their operable capacity, up from the prior week's level of 87.5%.

Stock Market Indexes


Market/Index	2020 Close	Prior Week	As of 10/1	Weekly Change	YTD Change
DJIA	30,606.48	34,258.32	34,326.46	0.20%	12.15%
Nasdaq	12,888.28	15,047.70	14,566.70	-3.20%	13.02%
S&P 500	3,756.07	4,395.64	4,357.04	-0.88%	16.00%
Russell 2000	1,974.86	2,218.56	2,241.63	1.04%	13.51%
Global Dow	3,487.52	3,961.73	3,973.93	0.31%	13.95%
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%	1.33%	1.46%	13 bps	55 bps
US Dollar-DXY	89.84	93.27	94.04	0.83%	4.67%
Crude Oil-CL=F	\$48.52	\$70.51	\$75.76	7.45%	56.14%
Gold-GC=F	\$1,893.10	\$1,768.40	\$1,760.10	-0.47%	-7.03%

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.

Last Week's Economic News

- The economy accelerated at an annualized rate of 6.7% in the second quarter, according to the third and final estimate from the Bureau of Economic Analysis. GDP increased 6.3% in the first quarter. Contributing to the increase in GDP were upward revisions in personal consumption expenditures (12.0%) and exports (7.6%), which were partially offset by an upward revision to imports, which are a subtraction in the calculation of GDP. The increase in second-quarter GDP reflected continued economic recovery, reopening of establishments, and an ongoing government response related to the COVID-19 pandemic. In the second quarter, government assistance payments in the form of loans to businesses and grants to state and local governments increased, while social benefits to households, such as the direct economic impact payments, declined. The personal consumption price index, a measure of inflation, increased 6.5% in the second quarter. Excluding food and energy prices, the price index advanced 6.1%.
- According to the latest report from the Bureau of Economic Analysis, personal income inched up 0.2% in August after rising 1.1% in July. The small August increase in personal income was likely impacted by a 3.7% decline in unemployment insurance benefits. Wages and salaries gained 0.5% (1.1% in July). Disposable (after-tax) income rose 0.1% in August after increasing 1.1% the prior month. Consumer spending increased 0.8% in August after dipping 0.1% in July. Prices for goods and services continued to rise in August, increasing 0.4%, the same advance as in July. Excluding food and energy, consumer prices rose 0.3% (0.3% in July). For the year ended in August, consumer prices have increased 4.3%.
- New orders for durable goods increased 1.8% in August. This increase, up 15 of the last 16 months, followed a 0.5% rise in July. Transportation equipment, up three of the last four months, led the increase, climbing 5.5% in August. Excluding transportation, however, new orders edged up just 0.2%. Unfilled orders and inventories increased, while shipments decreased 0.5% following three consecutive monthly increases. New orders for motor vehicles and parts dipped 3.1% in August after advancing 5.3% in July. Orders for nondefense aircraft and parts jumped 77.9% in August after falling 36.3% the previous month. New orders for capital goods rose 6.7%, driven higher by a 9.0% increase in orders for nondefense capital goods. Defense capital goods fell 8.3%.
- The advance report on international trade in goods revealed the trade deficit expanded by 0.9% in August. Exports of goods increased by 0.7%, while imports of goods grew by 0.8%. Since August 2020, exports have increased 25.6% and imports have climbed 17.8%.
- According to the latest report from IHS Markit, the purchasing managers' index dropped to a five-month low in September, as production was hampered by material and labor shortages. The IHS Markit U.S.





Manufacturing Purchasing Managers' Index™ (PMI™) posted 60.7 in September, down from 61.1 in August. While a reading above 50 indicates expansion, the rate of growth is slowing. As a result of supply-chain bottlenecks, backlogs of work have risen at the fastest pace on record. Prices continue to rise as the rate of input cost inflation, which softened only slightly from August's series record, caused firms to raise their charges at an unprecedented pace.

- The number of new claims for unemployment insurance benefits rose for the third consecutive week. For the week ended September 25, there were 362,000 new claims for unemployment insurance, an increase of 11,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended September 18 was 2.0%, a decrease of 0.1 percentage point from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended September 18 was 2,802,000, a decrease of 18,000 from the prior week's level, which was revised down by 25,000. For comparison, last year at this time, there were 803,000 initial claims for unemployment insurance, and the rate for unemployment claims was 7.8%. During the last week of February 2020 (pre-pandemic), there were 219,000 initial claims for unemployment insurance, and the number of those receiving unemployment insurance benefits was 1,724,000. States and territories with the highest insured unemployment rates for the week ended September 11 were Puerto Rico (4.7%), California (3.4%), the District of Columbia (3.2%), Oregon (3.2%), Alaska (3.1%), Nevada (3.1%), New Jersey (3.1%), the Virgin Islands (3.1%), Hawaii (2.7%), and Illinois (2.7%). States and territories with the largest increases in initial claims for the week ended September 18 were California (+17,218), Virginia (+12,140), Ohio (+4,147), Oregon (+3,413), and Maryland (+2,452), while the largest decreases were in Louisiana (-6,935), New York (-2,275), Missouri (-1,568), Oklahoma (-1,264), and New Mexico (-1,055).

Eye on the Week Ahead

Employment figures for September are available at the end of this week. While the jobs sector has been steadily improving, the pace of new hires has slowed. Since June and July, when more than 900,000 new jobs were added each month, August saw a job increase of only 235,000. On the other hand, earnings have increased 4.3% since August 2020.

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 fluctuates 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 largest, publicly traded 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 indexes listed are unmanaged and are not available for direct investment.

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