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In this week's recap: Accommodative Fed policies lead to inflation concerns.

Weekly Economic Update

Presented by Don Clark, MBA, CFP®, February 22, 2021

THE WEEK ON WALL STREET

Rising bond yields dampened investor enthusiasm for high-multiple growth companies last week, sending market averages mostly lower in a holiday-shortened week of trading.

The Dow Jones Industrial Average gained 0.11% for the week. But the Standard & Poor's 500 fell 0.71% and the Nasdaq Composite index slid 1.57%. The MSCI EAFE index, which tracks developed overseas stock markets, declined 0.26%. ^{1,2,3}

MIXED SIGNALS

The 10-year Treasury Note yield hit its highest level in a year last week on worries of a pick-up in inflation, while the 30-year Treasury Bond yield ticked over 2.0%. Rising yields weighed on the high-valuation growth stocks, most specifically the big tech names, in addition to dragging down interest rate sensitive sectors, like utilities and real estate investment trusts (REITs). ⁴

Economic data painted a mixed picture of the economy. Jobless claims reflected a still-struggling labor market while a strong retail sales number and an above-consensus PPI (Producer Price Index) reflected strong consumer spending and building inflationary pressures. ^{5,6,7}

Stocks were flat as the week came to a close, as traders wrestled with the crosscurrents of positive economic data and a further rise in yields.

INFLATION WORRIES

After a long period of low inflation, concerns are growing that higher consumer prices may return as a result of an accommodative Federal Reserve monetary policy and fiscal spending in response to the pandemic. Tensions heightened last week with the release of January's PPI report, which saw a jump of 1.7%, the biggest monthly increase since 2009. ⁸

While the Fed believes that any price increases will be fleeting, the market appears to view inflation a bit differently. The prospect of further stimulus and more reopenings are adding to investors' unease, which may revive an old Wall Street practice—inflation watching.

TIP OF THE WEEK



If you are a single parent, a will, a power of attorney, and disability income insurance are some documents you should consider – after all, you are the sole provider.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: Index of Leading Economic Indicators.

Tuesday: Consumer Confidence.

Wednesday: New Home Sales.

Thursday: Jobless Claims. Durable Goods Orders. GDP (Gross Domestic Product).

Friday: Consumer Sentiment.

Source: Econoday, February 19, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Palo Alto Networks (PANW).

Tuesday: Home Depot (HD), Intuit, Inc. (INTU), Ingersoll Rand, Inc. (IR).

Wednesday: Nvidia (NVDA), Etsy, Inc. (ETSY), Lowe's Companies (LOW), TJX Companies (TJX), Teledoc Health, Inc. (TDOC).

Thursday: Salesforce.com (CRM), Best Buy (BBY), Workday, Inc. (WDAY), Dell Technologies (DELL), VMware (VMW), American Tower Corp. (AMT).

Friday: Draftkings, Inc. (DKNG).

Source: Zacks, February 19, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



“The best way to find yourself is to lose yourself in the service of others.”

MAHATMA GANDHI

| Market Index | Close | Week | Y-T-D |
|--------------|-----------|--------|--------|
| DJIA | 31,494.32 | +0.11% | +2.90% |
| NASDAQ | 13,874.46 | -1.57% | +7.65% |
| MSCI-EAFE | 2,222.01 | -0.26% | +3.47% |
| S&P 500 | 3,906.71 | -0.71% | +4.01% |



| | Treasury | Close | Week | Y-T-D |
|--|--------------|-------|--------|--------|
| | 10-Year Note | 1.34% | +0.13% | +0.41% |

Sources: The Wall Street Journal, February 19, 2021; Treasury.gov, February 19, 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, February 12, to Friday, February 19, close.

Weekly performance for the MSCI-EAFE is measured from Friday, February 12, open to Thursday, February 18, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



What appears once in a minute, twice in a moment, but never in a decade?

LAST WEEK'S RIDDLE: Two fathers and two sons went truffle hunting. Each found a truffle yet they found only three in all.

Why?

ANSWER: The truffle-hunting party was made up three people - a man, his son and his grandson.

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CITATIONS:

1. The Wall Street Journal, February 19, 2021
2. The Wall Street Journal, February 19, 2021
3. The Wall Street Journal, February 19, 2021
4. CNBC, February 16, 2021
5. The Wall Street Journal, February 18, 2021
6. FoxBusiness.com, February 17, 2021
7. CNBC.com, February 17, 2021
8. CNBC, February 17, 2021



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