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In this week's recap: Inflation concerns continue as the Fed weighs scaling back of bond purchases.

Weekly Economic Update

Presented by Don Clark, MBA, CFP®, May 24, 2021

THE WEEK ON WALL STREET

Stock prices fluctuated amid inflation concerns and bargain hunting, leaving stocks mixed for the week.

The Dow Jones Industrial Average slipped 0.51%, while the Standard & Poor's 500 dropped 0.43%. The tech-heavy Nasdaq Composite index advanced 0.31%. The MSCI EAFE index, which tracks developed overseas stock markets, gained 0.67%. ^{1,2,3}

LOTS OF MOTION, LITTLE MOVEMENT

Stocks began last week extending their losses from the previous week, as the slide in technology and other high-growth stocks resumed. Inflation worries also weighed on the market.

After steep declines in early Wednesday trading, market sentiment took a more positive turn, allowing stocks to pare their losses as the session came to a close, despite news that the Fed could be contemplating tapering its monthly bond purchases. ⁴

This positive momentum continued into Thursday, aided by a declining initial jobless claims number and a strong rebound in technology. The rebound lost steam into Friday's close, leaving stocks little changed for the week. ⁵

THE FED HINTS AT A TURN

The Federal Open Market Committee (FOMC) on Wednesday released the minutes of its April meeting. The report suggested that a number of committee participants had raised the idea that—if the economy continues to make progress— it might be appropriate to adjust the pace of the Fed's monthly bond purchase program. ⁴

With inflation appearing to accelerate, the markets have been watchful for signs that the Fed would begin tightening its easy-money policies. This is the first time since the pandemic that the Fed has suggested that a scaling back of bond purchases could happen, though no timetable was discussed.

It's important to note that the April Fed meeting took place prior to the release of April's Consumer Price Index, which showed a higher-than-expected increase of 4.2%. ⁶

TIP OF THE WEEK



Think about sending your children to a college that is both good and affordable. If your kids are debt-free when they graduate, they may end up starting their working lives in a better financial position than many of their peers.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: New Home Sales. Consumer Confidence.

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

Source: Econoday, May 21, 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

Tuesday: AutoZone, Inc. (AZO), Intuit, Inc. (INTU).

Wednesday: Nvidia Corporation (NVDA), Okta, Inc. (OKTA), Workday, Inc. (WDAY), Dollar General (DG), Snowflake, Inc. (SNOW).

Thursday: Salesforce.com (CRM), Costco Wholesale Corp. (COST), Best Buy (BBY), Dell Technologies (DELL).

Source: Zacks, May 21, 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



“Life is the art of drawing without an eraser.”

JOHN GARDNER

Market Index	Close	Week	Y-T-D
DJIA	34,207.84	-0.51%	+11.77%
NASDAQ	13,470.99	+0.31%	+4.52%
MSCI-EAFE	2,307.53	+0.67%	+7.45%
S&P 500	4,155.86	-0.43%	+10.64%



Treasury	Close	Week	Y-T-D
10-Year Note	1.63%	+0.00%	+0.70%

Sources: The Wall Street Journal, May 21, 2021; Treasury.gov, May 21, 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 14, to Friday, May 21, close. Weekly performance for the MSCI-EAFE is measured from Friday, May 14, open to Thursday, May 20, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



I am a word that signifies a wide natural area – but remove my first letter, and you are left with a word signifying a narrow urban corridor. What word am I?

LAST WEEK'S RIDDLE: A girl has as many brothers as sisters, but each brother has only half as many brothers as sisters. How many brothers and sisters are there in the family?

ANSWER: The family has four sisters and three brothers.

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CITATIONS:

1. The Wall Street Journal, May 21, 2021
2. The Wall Street Journal, May 21, 2021
3. The Wall Street Journal, May 21, 2021
4. CNBC, May 19, 2021
5. FoxBusiness.com, May 20, 2021



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