This Week's Market Moves

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U.S. equity markets continue to march higher, with the major indices posting weekly gains of 1.1% and 1.7%. Promising earnings results and the reassurance that monetary and fiscal policy will continue to support the economy and the markets continue to underpin stock prices. Here are some other insights on the financial markets and economy from last week:

STOCKS GRIND HIGHER

The U.S. equity markets drifted toward new record highs last week, as strong earnings momentum, progress on the vaccine front, and expectations of more stimulus have kept the bullish narrative intact. The S&P 500 Index closed the week with a modest gain of 1.3%. Eight of the eleven sectors in the S&P 500 Index closed higher, with the energy and information sectors the best performers, and the consumer discretionary and utilities sectors lagging.

30-YEAR TREASURY YIELDS BREACH 2.0%

The yield on the U.S. 30-year bond breached the 2.0%-level for the first time since February of last year, just before the pandemic upended the economy and financial markets. The 10-year Treasury also hit its highest level in a year, rising to 1.20% at the end of the week. Prospects of an improved economic outlook and rising inflation expectations continue to drive longer-term maturity yields higher. Stocks have outperformed long-maturity Treasuries by over 9.0% this year, the largest performance differential since 2013.

SOARING U.S. DEBT LEVELS

The U.S. Government has been on a massive borrowing spree, with the country's debt-to-GDP ratio rising from 60% to just above 100% over the last decade. Some of the spending may be justified, as the government had no choice but to respond in a big way to counter the economic downturn caused by the pandemic, and investors appear to be unfazed by the historic rise in nation's indebtedness. As ironic as it may seem, the cost of servicing the debt has declined as the nation's debt load has increased. With interest rates expected to remain low for the foreseeable future, concerns about rising debt are taking a backseat to getting the economy back on track.

EARNINGS MOMENTUM CONTINUES

With nearly 75% of S&P 500 companies reporting 4th quarter earnings, a whopping 80% have reported a positive earnings surprise. Earnings are so strong that they are coming in over 15% above expectations, well above the 5-year average of 6.3%. While positive earnings surprises generally drive stock prices higher, the market reaction to the news has been relatively muted. This suggests that much of the news was already priced into the share price. Looking forward, analysts expect double-digit gains for every quarter in 2021.

UPSWING IN COMMODITY PRICES

Commodities, which have been out of favor for much of the last decade, recently climbed to a six-year pricing high. The sharp move has been powered by extraordinarily accommodative monetary and fiscal policies and the likelihood that the vaccine rollout will unleash pent-up demand, once the global economy is able to fully re-open. Broad-based gains in the price of oil, lumber, soybeans, precious metals, and raw materials makes investors wonder whether a new commodity supercycle is underway.

INFLATION REMAINS MUTED

While the market expects inflation to rise in the coming months, the lingering impact of the virus continues to restrain inflation. The January inflation report showed consumer prices rose at a 1.4% annual rate. The core measure, which excludes food and energy prices, came in a touch lower than expected, up 1.4% from a year earlier. The softer than expected data supports the Fed's dovish policy stance and should continue to underpin risk assets.

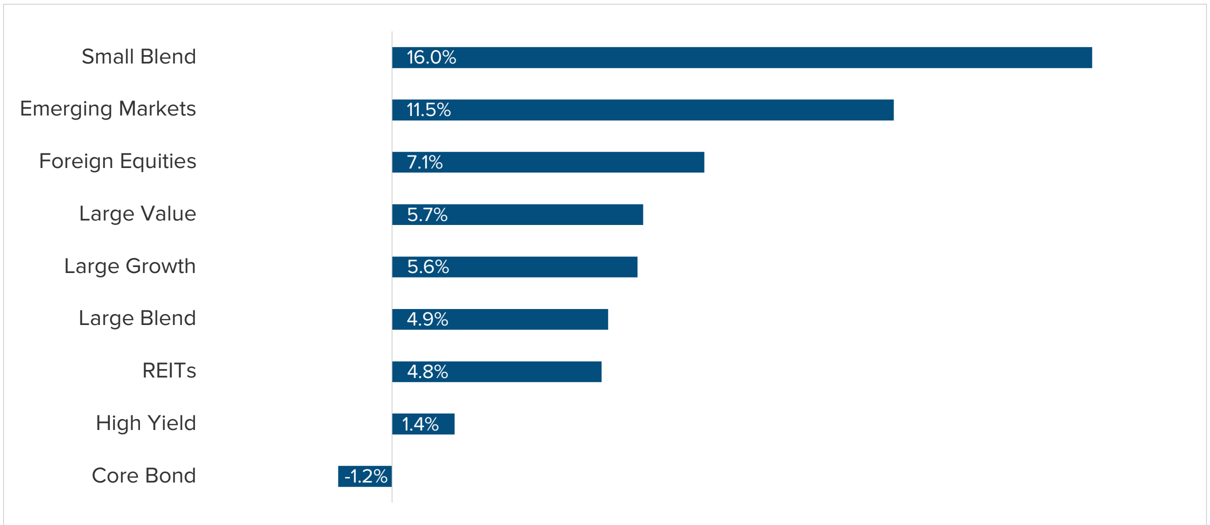
STUBBORNLY HIGH LEVEL OF JOBLESS CLAIMS

There were 793,000 Americans filling for first-time unemployment benefits this past week, slightly higher than market expectations. The number of Americans receiving benefits across all state and emergency federal pandemic relief programs jumped to 20.4 million, an increase of 2.6 million from the prior week. It is worth noting that the peak in weekly claim filings during the Great Financial Crisis was 665,000. This week's report represents the 47th consecutive week that claim filings have been higher than the prior peak.

CONSUMER SENTIMENT FALLS TO SIX-MONTH LOW

The University of Michigan's Consumer Sentiment Index fell to a six-month low in February. The details of the report revealed stark differences between households in the bottom third and top third of wage earners. Those with the lowest incomes feel more pessimistic about the future, while those in the upper third saw improvements. This report continues to highlight how the pandemic has disproportionally impacted lower-income workers, as their jobs have either disappeared or been severely curtailed due to government restrictions.

TOTAL RETURNS BY ASSET CLASS YTD AS OF FEBRUARY 12, 2021



Indices: Core Bond: Bloomberg Barclays U.S. Aggregate Index, High Yield: ICE BofA US High Yield, Large Value: Russell 1000 Value Index, Large Blend: S&P 500 Index, Large Growth: Russell 1000 Growth, Emerging Markets, MSCI EM NR USD, Foreign Equities: MSCI ACWI Ex USA NR USD, REITs: FTSE NAREIT All Equity, Small Blend: Russell 2000

Should you have additional questions, please contact your Cammack Retirement Group consultant or info@cammack retirement.com. Note that this article was published on February 16, 2021. Data represented is as of the publication date. The information contained herein has been obtained from sources that are believed to be reliable. However, Cammack Retirement Group does not independently verify the accuracy of this information.

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