

RAYMOND JAMES

WEEKLY
MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

AUGUST 27, 2021

Market Commentary

by Scott J. Brown, Ph.D., Chief Economist

In his Jackson Hole speech, Fed Chair Powell said that the “substantial further progress” test has been met on inflation, although the labor market is not quite there. The delta variant is a wildcard, but he and most other Federal Open Market Committee (FOMC) participants believe that “if the economy evolved broadly as anticipated, it could be appropriate to start reducing the pace of asset purchases this year.” Powell stressed that “the timing and pace of the coming reduction in asset purchases will not be intended to carry a direct signal regarding the timing of interest rate liftoff.”

Real GDP rose at a 6.6% annual rate in the second estimate for 2Q21, with very minor component revisions. Personal income rose 1.1% in July (+2.7% y/y), led by a 1.0% rise in private-sector wage and salary income (11.2% y/y). Child tax credit payments more than offset declines in unemployment benefits. Consumer spending rose 0.3% (12.1% y/y) as a 1.0% increase in services more than offset a 2.3% drop in consumer durables. The PCE Price Index rose 0.4% (+4.2% y/y), up 0.3% (+3.6% y/y) ex-food and energy. Durable goods orders edged down 0.1% in July, held back by a 48.9% drop in civilian aircraft orders. Ex-transportation, orders rose 0.7%. Orders for nondefense capital goods ex-aircraft, a rough proxy for business fixed investment, were flat, but that followed exceptionally strong gains in recent months.

Next week: Powell’s Jackson Hole speech has raised the importance of the job market data, which is seen as the key factor in the Fed’s taper timing decision. Payroll growth figures for June (+938,000) and July (+943,000) were inflated by a seasonal quirk in education (which added about 270,000 in both months). Payrolls are likely to have risen at a strong pace in August, but well below the headline numbers that we saw in the two previous months. ISM surveys may reflect a modest impact from the delta surge, but we should also see further evidence of bottleneck pressures and supply issues.

Indices

	Last	Last Week	YTD return %
DJIA	35,213.12	34,894.12	15.05%
NASDAQ	14,945.81	14,541.79	15.96%
S&P 500	4,470.00	4,405.80	19.01%
MSCI EAFE	2,339.25	2,309.06	8.93%
Russell 2000	2,213.98	2,132.42	12.11%

Consumer Money Rates

	Last	1 year ago
Prime Rate	3.25	3.25
Fed Funds	0.08	0.08
30-year mortgage	2.98	2.95

Currencies

	Last	1 year ago
Dollars per British Pound	1.3703	1.320
Dollars per Euro	1.1736	1.182
Japanese Yen per Dollar	110.25	106.57

Canadian Dollars per Dollar	1.270	1.313
Mexican Peso per Dollar	20.417	22.149

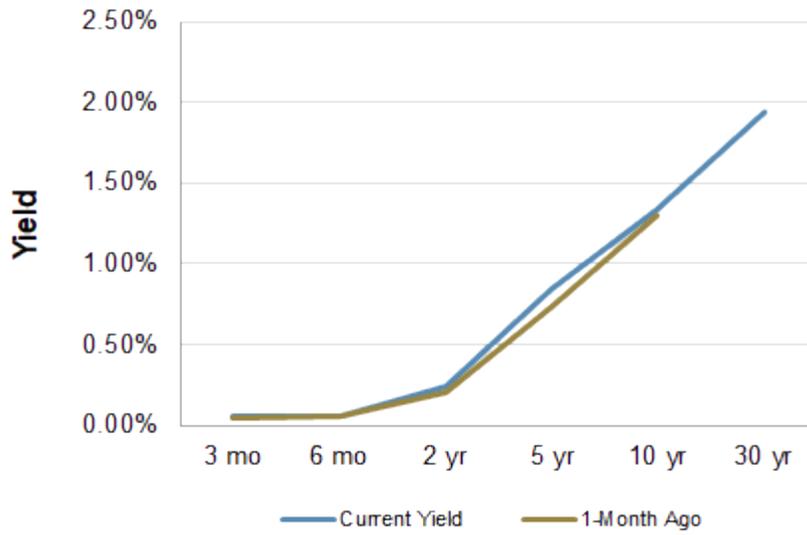
Commodities

	Last	1 year ago
Crude Oil	68.79	43.04
Gold	1794.30	1932.60

Bond Rates

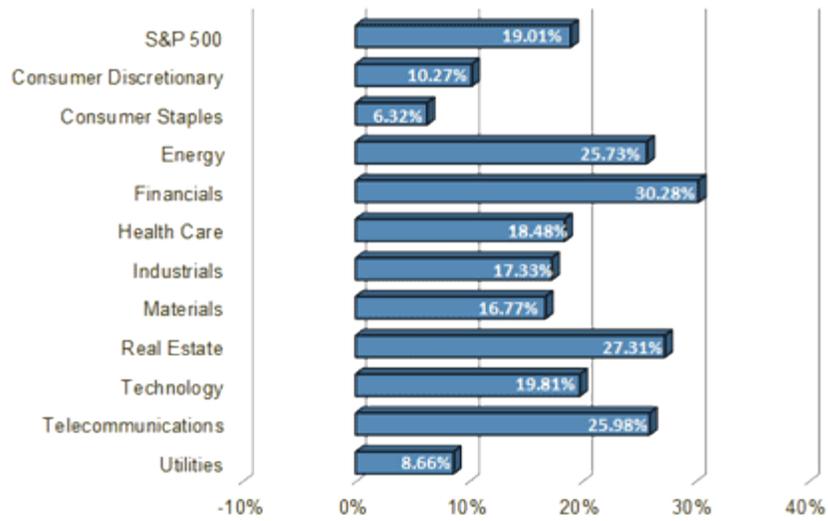
	Last	1 month ago
2-year treasury	0.24	0.20
10-year treasury	1.34	1.30
10-year municipal (TEY)	1.44	1.30

Treasury Yield Curve – 08/27/2021



As of close of business 08/26/2021

S&P Sector Performance (YTD) – 08/27/2021



As of close of business 08/16/2021

Economic Calendar

August 30	—	Pending Home Sales Index (July)
August 31	—	Chicago Business Barometer (August)
	—	CB Consumer Confidence (August)
September 1	—	ADP Payroll Estimate (August)
	—	ISM Manufacturing Index (August)
September 2	—	Jobless Claims (week ending August 28)
	—	Trade Balance (July)

	—	Factory Orders (July)
September 3	—	Employment Report (August)
	—	ISM Services Index (August)
September 6	—	Labor Day Holiday (markets closed)
September 14	—	Consumer Price Index (August)
September 16	—	Retail Sales (August)
September 22	—	FOMC Policy Decision

All expressions of opinion reflect the judgment of the author and are subject to change. There is no assurance any of the forecasts mentioned will occur or that any trends mentioned will continue in the future. Investing involves risks including the possible loss of capital. Past performance is not a guarantee of future results. International investing is subject to additional risks such as currency fluctuations, different financial accounting standards by country, and possible political and economic risks, which may be greater in emerging markets. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, and state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. Taxable Equivalent Yield (TEY) assumes a 35% tax rate.

The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. An investment cannot be made directly in these indexes. The performance noted does not include fees or charges, which would reduce an investor's returns. U.S. government bonds and treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the U.S. government.

Commodities trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Specific sector investing can be subject to different and greater risks than more diversified investments. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S. The federal funds rate ("Fed Funds") is the interest rate at which banks and credit unions lend reserve balances to other depository institutions overnight. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Material prepared by Raymond James for use by financial advisors. Data source: Bloomberg, as of close of business August 26, 2021.