

In this week's recap: Stocks have a mixed reaction to rising bond yields and increasing inflation.

Weekly Economic Update

Presented by DSA Financial Group, March 8, 2021

THE WEEK ON WALL STREET

Stocks were mixed last week as rising bond yields and heightening inflation fears sent stocks on a wild ride, capped by a remarkable Friday afternoon rally.

The Dow Jones Industrial Average gained 1.82%, while the Standard & Poor's 500 increased by 0.81%. The Nasdaq Composite index fell 2.06% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, rose 0.76%.^{1,2,3}

RISING YIELDS WHIPSAW STOCKS

The week began on an ebullient note as stocks surged on a retreat in bond yields and approval of a new vaccine, with sharp gains in reopening stocks, hard-hit technology companies, and small-cap companies.

But the optimism proved fleeting as worries over rising bond yields upended the high valuation growth stocks and sent the broader market lower. Deteriorating investor sentiment culminated in a steep sell-off on Thursday, sparked by comments from Fed Chair Jerome Powell that did little to allay investors' concerns about rising yields and festering inflation anxieties.⁴

Stock prices rallied on a strong employment report on Friday, but some of the enthusiasm was tempered by rising yields.

U.S. DOLLAR'S SURPRISING STRENGTH

Last week, the U.S. dollar gained 0.93% against a basket of international currencies—a relatively big move in the currency market. Year-to-date the dollar has appreciated over 2%.⁵

U.S. dollar strength this year has defied the expectations of many analysts who anticipated that a global economic recovery would prompt a shift away from the safe harbor of the dollar toward non-dollar denominated assets.

However, rising U.S. yields and a faltering economic rebound in Europe have instead propelled the U.S. dollar higher, raising concerns about tight financial conditions abroad and its potential adverse impact on an emerging markets recovery.

TIP OF THE WEEK



New parents can sometimes spend a little too much on cute and trendy stuff. Here's a test: will the item improve the quality of care for your baby? If not, leave it at the store.

THE WEEK AHEAD: KEY ECONOMIC DATA

Wednesday: Consumer Price Index (CPI).

Thursday: Jobless Claims. Job Openings and Labor Turnover Survey (JOLTS).

Friday: Consumer Sentiment.

Source: Econoday, March 5, 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

Wednesday: Campbell Soup Company (CPB).

Thursday: JD.com (JD), Ulta Beauty, Inc. (ULTA), DocuSign (DOCU), GoodRx Holdings (GDRX).

Source: Zacks, March 5, 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.

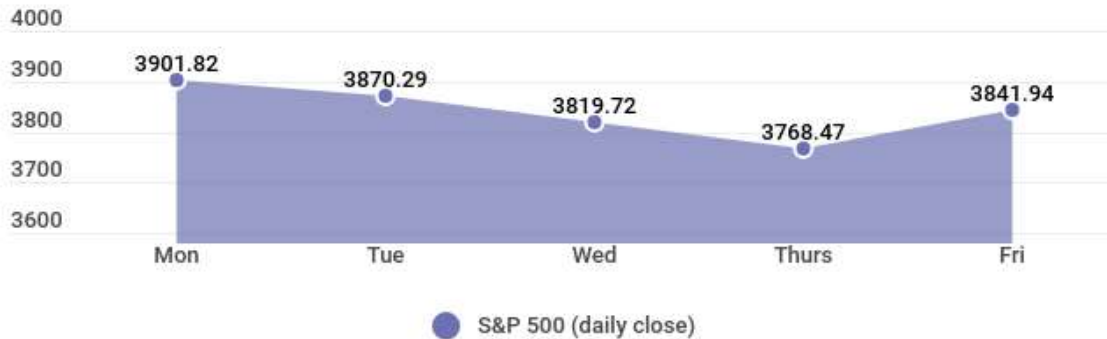
QUOTE OF THE WEEK



“Pleasure may come from illusion, but happiness can come only of reality.”

SEBASTIEN-ROCH NICOLAS DE CHAMFORT

Market Index	Close	Week	Y-T-D
DJIA	31,496.30	+1.82%	+2.91%
NASDAQ	12,920.15	-2.06%	+0.25%
MSCI-EAFE	2,185.44	+0.76%	+1.77%
S&P 500	3,841.94	+0.81%	+2.29%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.56%	+0.14%	+0.63%

Sources: The Wall Street Journal, March 5, 2021; Treasury.gov, March 5, 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 26, to Friday, March 5, close.

Weekly performance for the MSCI-EAFE is measured from Friday, February 26, open to Thursday, March 4, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



The name of a particular insect is six letters long. You can lop off the last three letters from its name and end up with the name of another insect. What is this six-letter word?

LAST WEEK'S RIDDLE: A woman walking along a canal sees a boat full of people, yet there isn't a single person on board. How could this be?

ANSWER: Everyone on board is married or partnered (not single).

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Know someone who could use information like this?

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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, March 5, 2021
2. The Wall Street Journal, March 5, 2021
3. The Wall Street Journal, March 5, 2021
4. The Wall Street Journal, March 4, 2021
5. The Wall Street Journal, March 5, 2021