

Capital Markets Snapshot

February 8th to February 19th, 2021

U.S. Economy

- U.S. retail sales grew 5.3% month-over-month in January (+7.4% YoY), as millions of consumers received \$600 stimulus checks. Spending at bars and restaurants picked up 6.9% over the month but remained -16.6% below January 2020 levels.
- Producer prices registered their fastest monthly increase (+1.3%) since 2009 in January, bringing year-over-year growth to 1.7%. Goods prices rose 1.4%, and services prices expanded 1.3%.
- Building permits surged in January and have grown 22.5% YoY. Housing starts have lagged building permits as soaring lumber prices (+73% YoY) have caused some builders to halt projects.

U.S. Markets

- Long-duration Treasuries (-3.0%) were the worst performers over the period as 10-year U.S. Treasury yields climbed from 1.16% to 1.34%, their highest level since the pandemic began. The 30-5 term spread expanded to 1.56%, its widest point since 2014.
- Small-cap equities (Russell 2000 Index +1.5%) extended their recent outperformance of large-cap equities (S&P 500 Index +0.6%), which closed the period just 0.7% beneath all-time highs.
- Fed officials indicated that they will be more focused on reducing unemployment than preventing above-target inflation for some time, and that low unemployment may provide structural benefits.

RETAIL SALES GROWTH (YEAR-OVER-YEAR)



Source: U.S. Census Bureau, as of 1/31/21

30Y-5Y U.S. TERM SPREAD



Source: Bloomberg, as of 2/19/21

GLOBAL INFLATION SURPRISE INDEX



Source: Citi, Bloomberg, as of 1/31/21

COPPER SPOT PRICES (\$/TON)



Source: London Metal Exchange, Bloomberg as of 2/19/21

International Economy

- Preliminary data indicated that while the Eurozone Manufacturing PMI grew to a 36-month high of 57.7 in February, the Services PMI faded from 45.4 to 44.7, and the spread between the two indicators expanded to its widest level since the initial shutdowns.
- The German ZEW Expectations Survey expanded from 61.8 to 71.2 in February (exp. 59.5) while feelings around the current situation faded slightly. Consumption and retail trade are expected to recover materially in the next six months, per the ZEW President.
- The Citi Inflation Surprise Index – Global, increased from 0.0 to 5.3 in January, its highest level since November 2018.

International Markets

- Emerging market (MSCI EM Index +2.5%) and international developed (MSCI EAFE Index +2.4%) equities materially outpaced large-cap U.S. equities (S&P 500 Index +0.6%) in U.S. dollar terms. Dollar weakness boosted performance for non-U.S. exposures.
- The rising tide of wagers on a global economic reopening helped the Bloomberg Commodity Index to return 3.4%. The Industrial Metals (+9.0%) and Energy (+5.1%) sectors drove the index higher, and copper (+12.4%) hit its highest price (\$8807/ton) since 2011.
- Australian 10-year sovereign bond yields rose from 1.19% to 1.43%, pressured by increasing global inflation expectations.



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MARKET PERFORMANCE

Equities

	Last Two Weeks 2/8/2021 - 2/19/2021		MTD		QTD		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	0.60	5.64	5.29	9.85	4.23	14.64	4.23	14.64
Russell 2000 TR USD	1.54	22.06	9.37	21.44	14.88	23.34	14.88	23.34
MSCI ACWI NR USD	1.42	6.31	5.80	8.66	5.32	12.38	5.32	12.38
MSCI EAFE NR USD	2.37	11.07	5.19	9.55	4.07	11.54	4.07	11.54
MSCI EM NR USD	2.50	11.02	7.58	13.66	10.88	16.93	10.88	16.93

Fixed Income

Barclays US Treasury US TIPS TR USD	-1.35	3.60	-1.61	3.03	-1.28	3.37	-1.28	3.37
Barclays US Treasury TR USD	-0.90	3.76	-1.52	3.15	-2.46	3.30	-2.46	3.30
Barclays Long Term US Treasury TR USD	-3.04	12.59	-5.42	10.58	-8.83	11.26	-8.83	11.26
Barclays US Agg Bond TR USD	-0.70	3.32	-1.09	2.74	-1.80	2.72	-1.80	2.72
Barclays US Credit TR USD	-0.78	4.73	-1.23	3.90	-2.41	4.09	-2.41	4.09
Barclays High Yield Corporate TR USD	0.26	0.93	0.96	1.21	1.30	1.54	1.30	1.54
JPM EMBI Global Diversified TR USD	-1.44	4.34	-0.89	4.15	-1.97	3.80	-1.97	3.80

Other

Bloomberg Commodity TR USD	3.43	8.85	6.50	10.25	9.29	12.45	9.29	12.45
Wilshire US REIT TR USD	0.89	8.32	4.03	10.44	4.58	17.28	4.58	17.28
MSCI Currency Factor Mix ER USD	0.09	0.90	0.19	0.76	0.35	1.26	0.35	1.26

Source: Morningstar, Data as of last available market close, Top/bottom two highlighted.

ECONOMIC DATA - RELEASED

Date	Country	Event	Freq	Period	Surv(M)	Actual	Surprise
02/09/21	IT	Industrial Production WDA YoY	M	Dec	-1.4%	-2.0%	-1.6
02/09/21	US	NFIB Small Business Optimism	M	Jan	97.0	95.0	-1.1
02/09/21	FR	Industrial Production YoY	M	Dec	-1.7%	-3.0%	-1.7
02/10/21	US	CPI YoY	M	Jan	1.5%	1.4%	-1.8
02/10/21	US	CPI Ex Food and Energy YoY	M	Jan	1.5%	1.4%	-2.1
02/11/21	US	Continuing Claims	W	30-Jan	4420k	4545k	1.4
02/11/21	UK	GDP YoY	Q	4Q P	-8.1%	-7.8%	0.5
02/12/21	US	U. of Mich. Current Conditions	M	Feb P	89.0	86.2	-1.5
02/14/21	JN	GDP Deflator YoY	Q	4Q P	0.5%	0.2%	-0.6
02/15/21	EC	Industrial Production WDA YoY	M	Dec	-0.2%	-0.8%	-0.6
02/16/21	US	Empire Manufacturing	M	Feb	6.0	12.1	3.1
02/17/21	US	Retail Sales Advance MoM	M	Jan	1.1%	5.3%	6.5
02/17/21	US	NAHB Housing Market Index	M	Feb	83	84	0.7
02/18/21	US	Housing Starts	M	Jan	1660k	1580k	-2.4
02/19/21	US	Existing Home Sales	M	Jan	6.60m	6.69m	0.9

ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
02/22/21	GE	IFO Expectations	M	Feb	91.1	91.7	1.0
02/23/21	US	S&P CoreLogic CS 20-City YoY NSA	M	Dec	9.08%	9.90%	0.4
02/23/21	US	Conf. Board Consumer Confidence	M	Feb	89.3	90.0	1.9
02/24/21	US	New Home Sales	M	Jan	842k	855k	27.0
02/25/21	EC	Economic Confidence	M	Feb	91.5	92.0	0.5
02/25/21	US	Durable Goods Orders	M	Jan P	0.5%	1.0%	0.7
02/25/21	FR	CPI YoY	M	Feb P	0.6%	0.3%	0.2
02/26/21	US	Personal Income	M	Jan	0.6%	9.5%	1.5
02/26/21	US	Personal Spending	M	Jan	-0.2%	2.5%	0.8
02/26/21	US	PCE Core Deflator YoY	M	Jan	1.5%	1.4%	0.1
03/01/21	US	ISM Manufacturing	M	Feb	58.7	58.6	0.8
03/02/21	US	Wards Total Vehicle Sales	M	Feb	16.63m	16.50m	0.8
03/05/21	US	Change in Nonfarm Payrolls	M	Feb	49k	160k	124.7
03/05/21	US	Unemployment Rate	M	Feb	6.3%	6.4%	0.1
03/05/21	US	Consumer Credit	M	Jan	\$9.734b	\$13.500b	3.2

Source: Bloomberg



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