



## THE WEEK IN REVIEW

The reflation trade took a breather this week, as U.S. equities experienced a rotation from value to growth. Meanwhile, U.S. Treasury yields moved lower on the week as investors digested potential signs that the recent uptick in inflation could prove transitory. The technology-heavy Nasdaq climbed 1.9% while the thirty-member Dow Jones Index declined 0.8%. Healthcare, consumer discretionary and technology were among the top performing S&P 500 sectors this week, while the industrials, materials and financials sectors were the biggest laggards. The yield on the 10-year U.S. Treasury note declined from last week's closing level of 1.55% to 1.45% in late trading today, marking the lowest level since early March. In commodity markets, U.S. crude oil prices reached their highest level since October 2018 when they eclipsed \$70 per barrel on Thursday.

Again in May, U.S. consumer prices rose more than forecast, as the economic reopening further boosted demand for travel-related services including used vehicles and airfares. The consumer price index (CPI) rose 0.6% in May and 5.0% on a year-over-year basis, which was the largest annual gain since August 2008. Excluding food and energy, core CPI rose 3.8% on an annual basis. Roughly a third of the increase was attributed to a 7.3% surge in used car and truck prices. This has been largely driven by a global shortage of semiconductors for usage in new models, which has put upward pressure on prices for used models.

While the current bout of inflation has been stronger than expected, it still appears to be contained in transitory categories. Owner's equivalent rent (a proxy for housing costs which accounts for more than 30% of CPI), only rose 0.3% in May. Another big component, medical care, fell 0.1% after rising in the four prior months. Medical care prices rose just 0.9% over the past 12 months, the smallest increase since the period ending March 1941.

Additional data from the Labor Department showed that in the week ending June 5 the number of Americans filing new claims for unemployment benefits fell to the lowest level in nearly 15 months. The University of Michigan's preliminary consumer sentiment index released today increased to 86.4 from 82.9 in May. Surveys showed that consumers cited expectations for further declines in unemployment and moderating inflation as the top factors for their increased optimism. Although the rate of increase in overall consumer prices is elevated, increases for lumber, grains and meat have stabilized in recent weeks.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	99.6	95.8	▲
Consumer Price Index (Y/Y)	5.0%	1.7%	▲
Core Consumer Price Index (Y/Y)	3.8%	1.3%	▲
U. of Mich. Consumer Sentiment	86.4	84.9	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	34479.60	-0.80%	12.65%	37.21%
NASDAQ	14069.43	1.85%	9.16%	48.21%
S&P 500	4247.44	0.41%	13.08%	41.48%
MSCI EAFE	2365.09	0.31%	10.13%	32.19%
Bbg Barclays Aggregate US	2352.59	0.53%	-1.65%	-0.14%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.02%	0.01%	0.16%
10-Year Treasury	1.45%	1.62%	0.67%

REPORTS DUE NEXT WEEK	LATEST
Retail Sales (M/M)	0.0%
Producer Price Index (Y/Y)	6.2%
Industrial Production (M/M)	0.6%
Housing Starts (Millions Annualized)	1.569

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.