



## THE WEEK IN REVIEW

The S&P 500 fluctuated between modest daily gains and losses Monday through Thursday before moving lower today as investors digested stronger-than-expected June inflation data and second quarter earnings reports. Bond yields appear to have stabilized after a steady decline over the last few months. The 10-year U.S. Treasury yield hovered around a five-month low of 1.3% for most of the week. Some investors have attributed the decline in yields to a moderate cooling in global economic growth and more hawkish Federal Reserve. The price of West Texas Intermediate (WTI) crude oil moved lower for a second consecutive week. The Organization of the Petroleum Exporting Countries (OPEC) reached a tentative compromise with the United Arab Emirates (U.A.E.) to produce more oil than previously discussed. The U.A.E. was a holdout in recent OPEC discussions to ease last year's oil production cuts because the country wants to increase oil production more than the amount OPEC discussed.

The Consumer Price Index (CPI) jumped by 5.4% in the twelve-month period through June, the largest year-over-year gain since 2008. Excluding the volatile food and energy components, core CPI rose 4.5%, marking the largest increase in over two decades. A 45% increase in used vehicle prices accounted for roughly a third of the gain in CPI. Concerns around longer term inflation continue to heat up, as supply chain bottlenecks and strong consumer demand have put upward pressure on prices. Although Federal Reserve officials have acknowledged inflation is stronger and perhaps more durable than originally anticipated, they ultimately expect current inflationary pressures to ease later this year. Fed Chairman Jerome Powell indicated in his Semiannual Monetary Policy Report before Congress this week that inflation is likely to remain elevated in the coming months before moderating. However, the Fed is prepared to adjust the stance of monetary policy, as appropriate.

Second quarter earnings reporting season ramped up this week. Multiple bulge bracket banks reported their earnings including JP Morgan (JPM), Bank of America (BAC), and Citigroup (C). The banks' strong performance in their investment banking and trading businesses and reduced loan loss reserves drove better-than-expected earnings. However, the bank stocks underperformed the S&P 500 Financials sector after reporting earnings due to disappointing loan growth. Bank executives noted that consumer spending is returning to pre-COVID-19 levels, but loan demand is lagging given the massive amount of liquidity from the COVID-19 fiscal stimulus packages. The executives expressed optimism that loan growth will resume in the second half of this year.

ECONOMIC INDICATOR		LATEST	3MO PRIOR	CHANGE
Core Consumer Price Index (Y/Y)		4.5%	1.6%	▲
Core Producer Price Index (Y/Y)		5.6%	3.1%	▲
Retail Sales (Y/Y)		18.0%	29.7%	▼
NFIB Small Business Optimism		102.5	98.2	▲
U. of Mich. Consumer Sentiment		80.8	88.3	▼
Initial Jobless Claims (Thousands)		360	586	▼
Continuing Jobless Claims (Thousands)		3,241	3,708	▼
INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	34687.85	-0.52%	13.33%	29.75%
NASDAQ	14427.24	-1.87%	11.94%	37.75%
S&P 500	4327.16	-0.97%	15.20%	34.57%
MSCI EAFE	2311.97	-0.06%	7.66%	24.80%
Bbg Barclays Aggregate US	2371.17	0.31%	-0.87%	-0.41%
KEY BOND RATES		WEEK	1MO AGO	1YR AGO
3-Month T-Bill		0.04%	0.02%	0.10%
10-Year Treasury		1.29%	1.58%	0.62%
REPORTS DUE NEXT WEEK				LATEST
Housing Starts (Millions Annualized)				1.57
Existing Home Sales (Millions Annualized)				5.80
Building Permits (Millions Annualized)				1.68
IHS Markit U.S. Manufacturing PMI				62.1
IHS Markit U.S. Services PMI				64.6

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