

MARKETS MIXED AS ECONOMIC NEWS MOSTLY NEGATIVE, EXCEPT FOR JOBLESS CLAIMS AND CONSUMER SENTIMENT

- It was a messy week, with the major U.S. equity markets seemingly bouncing all over the place and ultimately ending the week mixed
- On the positive side, the S&P 500 was up 1.6% and the DJIA moved up 1.4%, but most of those weekly gains happened on Friday
- On the negative side, NASDAQ gave back 0.6% and the Russell 2000 retreated 2.9%
- It seemed as if Wall Street had a hard time gaining its footing all week, as most of the economic news was negative, except for the jobs report and consumer sentiment, as those both came in better than expected
- But economic news about housing, manufacturing, personal income and durable orders overshadowed the markets all week, as all showed declines that were worse than consensus expectations
- The 10-year Treasury yield reversed its recent ascent and declined seven basis points to 1.66%
- Nine of the 11 S&P 500 sectors rose on the week and 8 of those were up more than 2%, including Real Estate which led the winners by jumping 4.2%
- Weekly initial jobless claims declined 684,000, which was better than expectations and also the lowest level since last March
- Treasury Secretary Yellen and Fed Chair Powell testified before Congress and surprisingly the markets did not react one way or the other

Weekly Market Update – March 26, 2021

	Close	Week	YTD
DJIA	33,073	1.41%	8.1%
S&P 500	3,975	1.6%	5.8%
NASDAQ	13,139	-0.6%	1.9%
Russell 2000	2,221	-2.9%	12.5%
MSCI EAFE	2,218	0.0%	3.2%
Bond Index*	2,317.08	-0.53%	-3.13%
10-Year Treasury	1.66%	-0.07%	0.7%

*Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results

Mixed Week for Markets as Economic Data is Mostly Negative

It was just a strange week for markets, almost like there was a feeling of dread overshadowing Wall Street. When the week was over, the DJIA and S&P 500 managed to scratch out weekly gains, but only because Friday was a big up-day. The small-cap Russell 2000 and NASDAQ were not so fortunate, as both ended the week red, with the Russell 2000 getting hit especially hard as it lost close to 3% on the week.

The week saw more negative economic news than normal and it seemed like every day brought some more bad news, except for maybe Thursday and for part of Friday.

On Monday it was announced that the Chicago Fed National Activity Index fell into negative territory in February, reaching minus 1.09, suggesting economic growth declined. This negative reading was below consensus expectations of 0.72 and was the first negative reading since April 2020.

On Tuesday, it was announced that new home sales fell almost 20%, likely exacerbated by a 30 basis point jump in mortgage rates.

On Wednesday it was announced that US durable goods orders unexpectedly fell in February, when they were down 1.1% after increasing 3.5% the month before. Consensus expectations were for an advance of 0.8% and this was the first decline since dropping 18.3% in April 2020.

On Thursday it was announced that initial jobless claims fell 97,000 to 684,000 for the week ended March 20th, which was better than expectations of 730,000. Claims had not been below 700,000 mark since this time last year, when they were below 300,000.

On Friday it was announced that personal income fell 7.1% in February, after a 10% jump in January due to federal stimulus. In addition, it was also announced that consumer sentiment continues to improve, as the Consumer Sentiment Index came in at 84.9.

Housing Market Declines in February

On Monday, the National Association of Realtors reported that for the month of February, Existing Home Sales dropped 6.6% from January after two months of gains. The good news (if you are selling) is that sales are still 9.1% higher than last year and that existing-home prices are significantly higher than a year ago – even surpassing pre-pandemic levels.



Other highlights from the NAR include:

- The median existing-home price for all housing types in February was \$313,000, up 15.8% from February 2020 (\$270,400), as prices rose in every region.
- February's national price jump marks 108 straight months of year-over-year gains.
- As of the end of February, housing inventory remained at a record-low of 1.03 million units, down by 29.5% year-over-year – a record decline.
- Properties typically remained on the market for 20 days in February, down from both 21 days in January and from 36 days in February 2020.
- Seventy-four percent of the homes sold in February 2021 were on the market for less than a month.

Number of First-Time Home Buyers Declines

According to the NAR, home affordability is weakening and this is unlikely to change given tight inventories. Further, if inventory remains tight, affordability will decline further if mortgage rates trend higher. And according to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage was 2.81% in February, up from 2.74% in January.

To underscore the fact that affordability was weakening, the NAR reported that:

- First-time buyers were responsible for 31% of sales in February, down from 33% in January and from 32% in February 2020.
- Individual investors or second-home buyers, who account for many cash sales, purchased 17% of homes in February, up from 15% in January and equal to the percentage from February 2020.
- All-cash sales accounted for 22% of transactions in February, up from both 19% in January and from 20% in February 2020.

Number of First-Time Home Buyers Declines

According to the NAR, home affordability is weakening and this is unlikely to change given tight inventories. Further, if inventory remains tight, affordability will decline further if mortgage rates trend higher. And according to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage was 2.81% in February, up from 2.74% in January.

To underscore the fact that affordability was weakening, the NAR reported that:

- First-time buyers were responsible for 31% of sales in February, down from 33% in January and from 32% in February 2020.
- Individual investors or second-home buyers, who account for many cash sales, purchased 17% of homes in February, up from 15% in January and equal to the percentage from February 2020.
- All-cash sales accounted for 22% of transactions in February, up from both 19% in January and from 20% in February 2020.

Regional Breakdown

While Existing Home Sales dropped in 3 of the 4 regions, all regions saw significant increases in median prices:

- Existing-home sales in the Northeast fell 11.5%, but the median price was \$356,000, up 20.5% from February 2020.
- Sales in the Midwest dropped 14.4%, but the median price was \$231,800, a 14.2% climb from February 2020.
- Sales in the South decreased 6.1%, but the median price was \$271,200, a 13.6% increase from a year ago.
- Sales in the West rose 4.6% and the median price was \$493,300, up 20.6% from February 2020.

Durable Goods Orders Drop

The U.S. Census Bureau announces the February advance report on durable goods manufacturers' shipments, inventories and orders. Here are the highlights:

New Orders

- New orders for manufactured durable goods in February decreased \$2.9 billion or 1.1 percent to \$254.0 billion
- This decrease, down following nine consecutive monthly increases, followed a 3.5 percent January increase

Shipments

- Shipments of manufactured durable goods in February, following five consecutive monthly increases, decreased \$9.1 billion or 3.5 percent to \$250.9 billion
- This followed a 1.7 percent January increase

Unfilled Orders

- Unfilled orders for manufactured durable goods in February, up two consecutive months, increased \$8.4 billion or 0.8 percent to \$1,082.0 billion
- This followed a 0.2 percent January increase

Inventories

- Inventories of manufactured durable goods in February, up following two consecutive monthly decreases, increased \$2.8 billion or 0.7 percent to \$427.3 billion
- This followed a 0.3 percent January decrease

Sources: [nar.realtor/](https://www.nar.realtor/); [census.gov](https://www.census.gov/); [msci.com](https://www.msci.com/); [fidelity.com](https://www.fidelity.com/); [nasdaq.com](https://www.nasdaq.com/); [wsj.com](https://www.wsj.com/); [morningstar.com](https://www.morningstar.com/)