

## Weekly Gains Boosted by May Employment Report

The S&P 500 rose 4.9% this week, closing just below the 3200 level on the back of improving economic data, recovery optimism, and a fear of missing out. The Dow Jones Industrial Average (+6.8%) and Russell 2000 (+8.1%) easily outperformed amid strength in value stocks and small caps. The Nasdaq Composite increased 2.1% and set a new intraday high.



For good reason, the May Employment Situation Report received the most attention this week, as it came in much better than expected. Nonfarm payrolls increased by 2.509 million (Briefing.com consensus -8.5 million), nonfarm private payrolls increased by 3.094 million (Briefing.com consensus -8.8 million), and the unemployment rate decreased to 13.3% (Briefing.com consensus 19.9%) from 14.7% in April.

The S&P 500 more than doubled its weekly gains on Friday (from +2.2% to +4.9%) following its release, as the data suggested that a recovery was happening faster than expected. All 11 S&P 500 sectors ended the week with gains, but it was the cyclical sectors, which stand to benefit the most from an increase in economic activity, that outperformed.

The battered energy (+15.4%), financials (+12.2%), and industrials (+10.5%) sectors rose more than 10%, while the health care sector (+0.2%) barely closed higher for the week. Every other S&P 500 sector rose at least 2.0%. Energy stocks were buoyed by the continued rise in oil prices (\$39.50, +4.17, +11.8%).

Earlier in the week, investors continued to hear positive business updates from companies, including American Airlines (AAL), Visa (V), and Lyft (LYFT).

AAL shares surged 77% this week, most of which came after the company announced plans to increase its domestic flying schedule for the summer travel season due to improving demand. Boeing (BA) shares rose 41%.

The price action was described as a “pain trade” due to the market’s relentless gains that appeared to cause some chasing action from underallocated investors. The gains weren’t limited to just the U.S., though. The iShares MSCI Emerging Markets ETF (EEM) rose 8.5%, and the Europe Stoxx 600 rose 7.1%.

In Europe, the ECB increased its pandemic emergency purchase program by EUR600 billion to a total of

EUR1.350 trillion. The euro continued to rise against the dollar on hopes for a stronger fiscal union, which contributed to another 1.4% weekly decline in the U.S. Dollar Index (97.00).

Longer-dated U.S. Treasuries sold off this week, which drove yields noticeably higher. The benchmark 10-yr yield rose 25 basis points to 90%, while the 2-yr yield increased six basis points to 0.21%.

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