Week Ending 4/9/2021

WEEK IN **PERSPECTIVE**

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S&P 500 and Dow Rally Further into Record Territory, Nasdaq Outperforms

The S&P 500 (+2.7%) and Dow Jones Industrial Average (+2.0%) kicked off the week with a data-driven rally to new heights, followed by a mechanical grind higher the rest of the week. The Nasdaq Composite (+3.1%) outperformed with a 3% gain, while the Russell 2000 underperformed with a 0.5% decline.

Ten of the 11 S&P 500 sectors ended the week in the green. None were more influential than the information technology (+4.7%) and consumer discretionary (+4.2%) sectors, which rose more than 4.0% amid strength in their mega-cap components. The energy sector (-4.1%) was the lone holdout with a sharp 4% decline, as investors took profits.

On Monday, the market keyed off a strong employment report for March, which was released the prior Friday when the stock market was closed, and a record-setting ISM Non-Manufacturing Index for March. The data indicated that the economic recovery is gaining momentum.

What's more, JPMorgan Chase (JPM) CEO Jamie Dimon said in an annual shareholder letter on Wednesday that an economic boom could easily run into 2023. Market reaction to this observation was muted, though, as the market was stuck in consolidation mode. Mr. Dimon also cautioned about the "not-unreasonable possibility that an increase in inflation will not be just temporary."

At the end of the week, the Producer Price Index increased a hotter-than-expected 1.0% m/m in March (Briefing.com consensus +0.5%), bringing its yr/yr increase to 4.2%. The market stood by the Fed's thinking that an increase in inflation would be transitory.

Speaking of the Fed, the central bank's dovish monetary policy was reaffirmed in the FOMC Minutes from the March meeting and by Fed Chair Powell at an event hosted by the IMF this week.

Underlying positive factors for the mega-cap/growth stocks included a recognition that long-term interest rates have cooled off this month, money continuing to reshuffle into these Q1 laggards, and investors possibly front running Q1 earnings reports. The 10-yr yield decreased four basis points to 1.67%.

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