

Third Quarter Begins with New Record Highs

This was an impressive week for the S&P 500, which gained 1.7%, extended its streak to seven straight record closes, and topped the 4300 level with ease.



The Nasdaq Composite outdid the benchmark index with a 1.9% gain and its own set of record-setting performances.

The Dow Jones Industrial Average advanced 1.0% and closed at its first record high since May, while the Russell 2000 fell 1.2% amid rebalancing factors.

Interestingly, the Russell 1000 Growth Index rose 2.4% while the Russell 1000 Value Index (comprised of many cyclical stocks) increased just 0.4% despite a host of positive developments:

- June nonfarm payrolls increased by 850,000 (Briefing.com consensus of 680,000).
- The June ISM Manufacturing Index checked in at

- 60.6% (Briefing.com consensus 61.0%) for its 13th straight month above 50.0% (expansionary activity).
- The Conference Board's Consumer Confidence Index for June was better-than-expected at 127.3 (Briefing.com consensus 120.0).
- Weekly initial claims declined to a post-pandemic low of 364,000 (Briefing.com consensus 400,000).
- Many banks increased their dividend payments after easily passing the Fed's stress test in the prior week.

The employment report, however, wasn't as strong as the headline jobs figure initially suggested. The unemployment rate (5.9%), average hourly earnings (+0.3%), and the average workweek (34.7) missed expectations. In addition, the labor force participation rate (61.6%) was unchanged, and there were higher rates of unemployment for minority groups.

What's more, there were reported growth concerns linked to the spread of the Delta coronavirus variant and the restrictions several countries imposed to curb infections. On a related note, Johnson & Johnson (JNJ) said its COVID-19 vaccine showed persistent activity against the Delta variant with long-lasting durability of response.

These growth concerns were manifested in the 11-basis-point decline in the 10-yr yield (1.43%), which acted as a tailwind for the growth stocks -- especially the mega-caps. The Vanguard Mega Cap Growth ETF (MGK) rose 2.6% this week. Facebook (FB) reached a \$1 trillion market capitalization, and NVIDIA (NVDA) reached a \$500 billion market capitalization.

Separately, WTI crude futures topped \$75 per barrel amid speculation that OPEC+ will agree to a smaller-than-expected increase in supply, starting in August. An agreement was supposed to be reached on Thursday, but the week ended without an agreement.

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