

October 2021 Market Watch

U.S. markets made a recovery in October and closed higher. The S&P 500 reached new highs on the back of a strong third quarter earnings season so far. Coronavirus trends continued to improve and help the reopening - the combination of slow (but growing) vaccinations and slowing COVID case numbers (even with a new Delta Plus variant) boosted markets. However, supply chain pressures, tight labor markets, inflation concerns, and energy prices soaring are repeating themes this month.

The Federal Reserve Chair Powell said his concerns over inflation and supply issues have increased as the Fed's Beige Book showed growth had slowed. The Fed also reiterated that tapering would start later this year.

U.S. recovery is solid despite mixed economic data. U.S. GDP growth of 2.0% YoY for the third quarter disappointed, hurt by Hurricane Ida and supply side distortions. Consumer Price Index (CPI) remained elevated at 5.4% year on year (YoY) and core CPI at 4.0% YoY. U.S. labor market data highlighted the impact of worker shortages, with wages increasing by a 5.5% YoY.

Supply chain issues, the Federal Reserve's upcoming November taper, and Washington's fiscal stimulus progress remain in focus.

	Date	1 Week Ago		1 Month Ago		YTD	1 Year Ago	
	10/31/21	10/23/21	% chg*	9/30/21	% chg*	% chg*	10/31/20	% chg*
DJIA	35,819.6	35,677.0	0.4%	33,843.9	5.8%	17.0%	26,501.6	35.2%
S&P 500	4,605.4	4,544.9	1.3%	4,307.5	6.9%	22.6%	3,270.0	40.8%
NYSE Comp Index	17,016.4	17,122.2	-0.6%	16,144.9	5.4%	17.2%	12,429.3	36.9%
NASDAQ Composite	15,498.4	15,090.2	2.7%	14,448.6	7.3%	20.3%	10,911.6	42.0%
Russell 2000	2,297.2	2,291.3	0.3%	2,204.4	4.2%	16.3%	1,538.5	49.3%
MSCI EM (Emerging Markets)	1,264.8	1,293.1	-2.2%	1,253.1	0.9%	-2.1%	1,103.5	14.6%
MSCI EAFE	2,335.5	2,338.6	-0.1%	2,281.3	2.4%	8.8%	1,780.1	31.2%
Japan Nikkei 225	28,892.7	28,804.9	0.3%	29,452.7	-1.9%	5.3%	22,977.1	25.7%
FTSE 100	7,237.6	7,204.6	0.5%	7,086.4	2.1%	15.6%	5,577.3	29.8%
SSE Comp Index	3,547.3	3,582.6	-1.0%	3,568.2	-0.6%	2.1%	3,224.5	10.0%

US Equity Sector Performance

	Oct	YTD	1 Yr Ret.
Consumer Discretionary	10.9%	22.3%	36.2%
Consumer Staples	3.9%	8.8%	19.0%
Energy	10.4%	58.1%	111.3%
Financials	7.3%	38.6%	72.1%
Health Care	5.2%	19.3%	33.8%
Industrials	6.9%	19.2%	39.8%
Information Tech	8.2%	24.7%	46.9%
Materials	7.6%	18.9%	37.2%
Communication Services	2.8%	25.0%	41.2%
Utilities	4.7%	9.1%	10.7%
Real Estate	7.6%	32.9%	43.7%

US Equity Style Performance

	Oct	YTD	1 Yr Ret.
Dow Jones Utilities	4.7%	5.9%	6.8%
DJ TRANS Avg.	13.6%	28.3%	44.9%
Russell 1000 Value	5.1%	22.0%	43.8%
Russell 1000 Growth	8.7%	24.2%	43.2%
Russell 2000 Value	3.8%	27.6%	64.3%
Russell 2000 Growth	4.7%	7.6%	38.5%

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U.S. equity sectors closed higher with the Consumer Discretionary +10.9%, Energy +10.4%, and Info Tech +8.2% leading the rally.

Both Developed International Equities (MSCI EAFE) +2.4% and Emerging Market (MSCI EM) +0.9% closed higher. The IMF cut its 2021 global growth forecast to 5.9% from the 6.0% in its July report due to a reduction in its advanced economies projections from 5.6% to 5.2%, as emerging markets outlook ticked up to 6.4% from 6.3% - amid supply chain disruptions and pandemic pressures. China's real GDP growth decelerated in the third quarter to 4.9% YoY after having grown at 7.9% YoY in the second quarter. Energy blackouts in China weighed on manufacturing activity.

U.S. government yields saw the 2-Yr note rise to 0.49%, 10-Yr move higher to 1.55%, but the 30-Yr move lower to 1.94%. The Treasury yield curve notably flattened in October as global central banks shift view that inflationary pressures may persist.

The Bloomberg Commodity Index continued to rise and closed +2.6% higher as WTI crude oil rallied +11.4% this month. Natural gas prices jumped by 60% in a week in Europe, but Russian President Vladimir Putin's comments on increasing gas supply slowed prices down. Coal shortages in China led many governments to take steps to increase production. Gold closed +1.5% higher.

Bond Markets (%)

	10/31/21	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.06	0.04	0.10
US Benchmark Bond – 6 Mth	0.07	0.05	0.11
US Benchmark Bond – 2 Yr	0.49	0.29	0.15
US Benchmark Bond – 5 Yr	1.18	0.99	0.38
US Benchmark Bond – 10 Yr	1.55	1.53	0.85
US Benchmark Bond – 30 Yr	1.94	2.09	1.64

US Bond Sector Performance

	Oct	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-0.57%	-1.68%	-1.53%

Exchange Rates (per US dollar)

	10/31/21	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.240	1.267	1.333
Mexican Peso	20.543	20.545	21.278
Euro	0.864	0.863	0.858
British Pound	0.730	0.742	0.773
Swiss Franc	0.914	0.933	0.917
Chinese Yuan	6.399	6.462	6.700
Indian Rupee	74.881	74.228	74.108
Japanese Yen	114.025	111.575	104.540

Commodities (In US dollars)

	10/31/21	1 Mth Ago	1 Yr Ago
Gold	1,783.90	1,757.00	1,879.90
Crude Oil	83.57	75.03	35.79
US Dollar Index	94.12	94.24	94.04
Bloomberg Commodity Index	103.36	100.76	71.84

Interest Rates (%)

	10/31/21	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	3.25
Federal Funds Rate	0.09	0.09	0.09
Labor Rate 30 Day	0.09	0.08	0.14
Labor Rate 3 Months	0.13	0.13	0.22
30yr Fixed Mortgage	3.14	3.01	2.81

Economic Sentiment

	10/31/21	1 Yr Ago
Unemployment Rate	4.80%	6.90%
Average Single Family Home	377,100	348,300
Capacity Utilization	75.20%	72.87%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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