

In this week's recap: The Fed signals interest rate hikes.

Weekly Economic Update

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THE WEEK ON WALL STREET

New messaging from the Federal Reserve on interest rates and inflation last week led to a broad retreat in stock prices.

The Dow Jones Industrial Average dropped 3.45% while the Standard & Poor's 500 lost 1.91%. The Nasdaq Composite index slipped 0.28% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, fell 0.64%.^{1,2,3}

UNSETTLED MARKETS

The Federal Reserve's announcement on Wednesday that interest rate hikes may likely occur sooner than expected and that it had underestimated the pace of inflation unsettled investors. The hardest hit groups were cyclical stocks, like energy, materials, and industrials, as well as financials and consumer staples.⁴

Losses accelerated into the week's close on comments by St. Louis Fed President James Bullard that the first rate hike could be as soon as 2022.

The bond yield curve flattened, as short-term interest rates rose in anticipation of rising rates and longer-term rates declined, reflecting a view of an eventual economic slowdown.

THE FED'S SURPRISE

Last week's FOMC meeting announcement took investors by surprise as the Fed indicated that two rate hikes in 2023 were likely. It was as recent as March that the Fed had signaled that rates would remain unchanged until 2024.⁴

The Fed also raised its inflation expectations to 3.4%, up from its March projection of 2.4%, though it continues to believe that price increases will be transitory in nature.⁵

The Fed provided no indication of when and by how much it might begin tapering its monthly bond purchase program.⁶

TIP OF THE WEEK



You likely have multiple credit cards. Arrange them so that the one with the lowest interest rate is the easiest to reach for in your handbag or wallet.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Existing Home Sales.

Wednesday: PMI (Purchasing Managers Index) Composite Flash. New Home Sales.

Thursday: GDP (Gross Domestic Product). Durable Goods Orders. Jobless Claims.

Friday: Consumer Sentiment.

Source: Econoday, June 18, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Wednesday: KB Home (KBH).

Thursday: FedEx Corporation (FDX).

Friday: Carmax, Inc. (KMX).

Source: Zacks, June 18, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

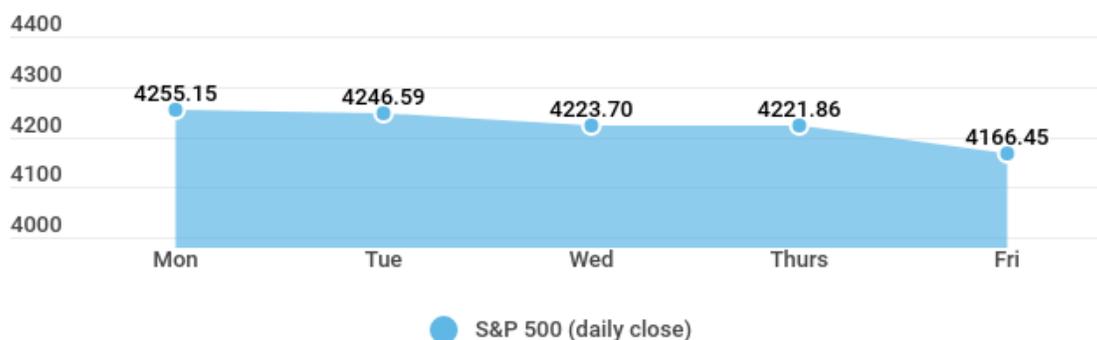
QUOTE OF THE WEEK



“Done is better than perfect.”

SHERYL SANDBERG

Market Index	Close	Week	Y-T-D
DJIA	33,290.08	-3.45%	+8.77%
NASDAQ	14,030.38	-0.28%	+8.86%
MSCI-EAFE	2,350.34	-0.64%	+9.44%
S&P 500	4,166.45	-1.91%	+10.93%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.44%	-0.03%	+0.51%

Sources: The Wall Street Journal, June 18, 2021; Treasury.gov, June 18, 2021

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, June 11, to Friday, June 18, close. Weekly performance for the MSCI-EAFE is measured from Friday, June 11, open to Thursday, June 17, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



Before Mt. Everest was measured, in 1819, what was the highest mountain on earth?

LAST WEEK'S RIDDLE: What common English word has three consecutive double letters?

ANSWER: Bookkeeper.

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CITATIONS:

1. The Wall Street Journal, June 18, 2021
2. The Wall Street Journal, June 18, 2021
3. The Wall Street Journal, June 18, 2021
4. CNBC, June 16, 2021
5. The Wall Street Journal, June 16, 2021
6. The Wall Street Journal, June 16, 2021