Weekly Market Review

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The Week Ending April 9, 2021

Last week ended with the S&P 500 Index up over 2%, the third straight week the benchmark has finished in positive territory. Much of this gain was generated right from the market open on Monday morning as the stock market got its first chance to trade the expectation beating the March jobs report, which was announced the prior Friday, a market holiday. A strong jobs report combined with continued dovish messaging from the Federal Reserve gave the market confidence to trade higher throughout the week.

March's jobs report was a welcomed sign from the labor market and reinforced the economic recovery narrative. The 916,000 jobs gained in March were led higher by the hospitality and construction industries as the vaccine effort continues to increase the pace of the economic reopening. There is one item of the March report which needs an asterisk and is a bit misleading. It was reported that the unemployment rate hit a pandemic low of 6%, which is a significant improvement from one year ago. However, the one component not being discussed as much is the labor force participation rate, which remains about 2% below pre-pandemic levels.

Most economic statistics are reported as an average for the whole country, which makes sense for the most part. But when we are in a unique time like this, looking at unemployment rates by state can lead to different outlooks for the recovery. For instance, many of the most densely populated states still have an unemployment rate above the national rate and even above 8% in some cases. States with the highest unemployment rates stand out as the most populated ones and have the strictest COVID-19 restrictions, such as New York and California. While this will not stop the national economic recovery, it could limit growth in the near term until those states reopen and companies can rehire.

Federal Reserve Chair Jerome Powell continues maintaining a consistent message and does not get excited about expectations beating economic reports. This is most likely because Chair Powell sees the different rates of recovery throughout states and industries. Even when producer prices were released at a nine-year high last week, Chair Powell continued his reiterating his message of not having inflation concerns, and that the Fed will not surprise the market with a policy change anytime in the near term.

While investors are not expecting much to change with economic policy, we have not heard insights directly from companies regarding how they see the recovery. That should begin to change this week as first-quarter earnings reports are released, perhaps shifting the market's focus to company fundamentals rather than the broad economy.

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