# Weekly Market Review

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## *The Week Ending April 23, 2021*

After four straight weeks of gains from the S&P 500 Index, last week broke the trend and ended the week slightly in the red. Stocks spent the week digesting mixed news from COVID-19 infections increasing globally, most notably in Asia, to the lowest weekly unemployment claims since the pandemic began. Being in the heart of corporate earnings season has also done its part to add to market volatility. Although over 80% of S&P 500 companies have beat their earnings estimates, stock prices have not responded as favorably as companies are struggling to provide strong enough forward guidance to meet the high expectations.

Recent weeks have shown an improvement in the U.S. labor force. From the strong March jobs report to weekly jobless claims, all have been moving in the right direction. Last week even marked the first two consecutive weeks of claims under 600,000 for the first time since early 2020. For comparison, the 2019 weekly average was 218,000, so still, much improvement is needed. We have heard about the same data points for a while, so perhaps it's time to look at employment from a different perspective.

Instead of looking at the labor market from the unemployment rate or weekly claims, let's use a simple employment to population ratio. This ratio currently sits at about 57%, three percentage points below pre-pandemic levels, or over nine million jobs lower. Meanwhile, the stock market continues to make new highs, and GDP growth is expected to continue its strong rebound. Unprecedented stimulus is undoubtedly playing a significant role, but the composition of the unemployed should not go unnoticed. During the 2008 Financial Crisis, the last recession impacted the middle and upper-middle classes and housing prices. This time, housing prices have increased, and job losses are concentrated in the lower-paying services industries. As the reopening continues and the hardest-hit industries regain pre-pandemic form, it could be signaling a longer runway for growth.

Outside macroeconomic factors, corporate earnings have been a dominant topic for markets. For the most part, companies have been beating meager expectations. However, companies have a high hurdle rate to clear on their forward expectations to justify the market's current high valuations. Current valuations and the tax proposals from Washington D.C. have left investors to question how much they are willing to pay for companies' future earnings. Although, market selloffs to new information, such as taxes, could provide better buying opportunities for long-term investors to benefit when the economy reaches full employment, and hopefully, the market continues its trek higher.





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