Weekly Market Review

By: Joe Clark, CFA, Allegheny Research Team

The Week Ending May 7, 2021

Last week ended with Jobs Friday, the monthly economic announcement of how many jobs the U.S. economy added in the previous month. April was supposed to be a record-breaking month, with the average economist estimating one million jobs were added. However, being an economist is more of an art than a science, and no economist proved to be Rembrandt, as the Labor Department announced an underwhelming 266,000 jobs were added. The leisure and hospitality sector kept April's report in positive territory by adding 331,000 jobs during the month, being the lone bright spot from the high expectation report.

What does April's job report mean for the future of the economic recovery? At first thought, not a whole lot. Remember, when record-beating statistics were published, we were told not to get overly excited. So, why overreact to an underwhelming report? April serves as a reminder that the economic recovery may not be a straight-up rebound, but rather one trending upward with some speed bumps along the way. Although one report does not impact the longer-term economic outlook, it should lead to questions as to how economists were so wrong.

Typically, economists' outlooks are based on prior months' trends and how current factors may impact that trend. March was a strong month as spring weather throughout much of the country increased consumer demand, forcing companies to rehire employees. As we move through spring and remain over eight million jobs short of pre-COVID levels, it made sense for this steep trajectory to continue. However, we are learning that other factors may be having a greater impact on the return of jobs. For instance, were March's jobs a recall of furloughed employees or new positions? Do companies need as many employees as pre-COVID due to improvements in technology? Are employees even looking in the same industry they worked before to the pandemic? How are childcare and unemployment benefits impacting workers' job searches? It is naïve to assume we will be returning to the same economy in a post-COVID world, but it is also difficult to predict what the future economy will look like.

Questions remain on the pace of the economic recovery; however, these questions did not have much of an impact on the stock market Friday. Despite the negative economic news, the S&P 500 Index closed the day at a record high for the 26th time this year. The market took the moderate jobs growth as a sign that loose monetary and fiscal policies will remain in place and continue to support the economic rebound for the foreseeable future.

Allegheny Financial Group · Allegheny Investments

811 Camp Horne Road, Suite 100 • Pittsburgh, PA 15237
Ph: 412.367.3880 • Fax: 412.367.8353
alleghenyfinancial.com • alleghenyinvestments.com