

Read Thrivent Asset Management's views on the latest market volatility

MARKET UPDATES

Stocks rebound, inflation rises, GDP growth slips

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By Gene Walden, Senior Finance Editor | 11/05/2021



In a nutshell

	Dec. 31, 2020	Sep. 30, 2021	Oct. 31, 2021	% Change month	% Change YTD
S&P 500 Index	3,756.07	4,307.54	4,605.38	6.91%	22.61%
NASDAQ Composite Index	12,888.28	14,448.58	15,498.39	7.27%	20.25%
MSCI EAFE Index	2,147.53	2,281.29	2,335.53	2.38%	8.75%
US 10-Yr Treasury	0.92%	1.53%	1.55%	N/A	N/A
Oil (West Texas Intermediate)	48.52	75.03	83.57	11.38%	72.24%

Source: FactSet, Morningstar

Strong corporate earnings helped stocks rebound sharply in October after a September slump, as the S&P 500® and NASDAQ indexes both set new all-time highs. But gross domestic product (GDP) growth slipped, while inflation continued to rise.

GDP growth returned to a more normal level of 2.0% in the 3rd quarter after posting abnormally high gains of 6.4% annualized in the 1st quarter and 6.7% in the 2nd quarter, as the economy bounced back from the pandemic. According to the U.S. Department of Commerce in an October 28 report, the decline in GDP growth reflected a resurgence of COVID-19 cases that “resulted in new restrictions and delays in reopening establishments in some parts of the country.”

The trend of rising inflation has continued, with supply bottlenecks and labor shortages combining to drive up the price of goods and services. According to the Commerce Department report, the price index for gross domestic purchases – a key measure of inflation – was up 5.4% year-over-year in the 3rd quarter compared with a 5.8% year-over-year increase in the 2nd quarter. (The September month-over-month inflation rate was 0.27%.)

Federal Reserve (Fed) Chair Jerome Powell said November 3 that “the drivers of higher inflation have been predominately connected to dislocations caused by the pandemic, specifically the effects on supply and demand from the shutdown, the uneven reopening, and the ongoing effects of the virus itself.” Powell said he expects that the squeeze in supply and demand will ultimately ease, driving the inflation rate back down toward more normal levels. However, if inflation continues to rise more than the Fed expects, Powell vowed that the Fed “would use our tools as appropriate to get inflation under control.”

Surging oil prices have also contributed significantly to the rise in inflation. West Texas Intermediate, a grade of crude oil used as a benchmark in oil pricing, jumped 11.38% in October.

Drilling down

U.S. stocks rise

The S&P 500 Index was up 6.91% for the month, from 4,307.54 at the end of September to 4,605.38 at the October close. The total return of the S&P 500 (including dividends) was 7.01% for the month. Through the first 10 months of 2021, the total return of the S&P 500 was 24.04%. (The S&P 500 is a market-cap-weighted index that represents the average performance of a group of 500 large capitalization stocks.)

The NASDAQ Index was up 7.27% for the month, from 14,448.58 at the end of September to 15,498.39 at the October close. Through the first 10 months of 2021, the NASDAQ was up 20.25%. (The NASDAQ – National Association of Securities

Dealers Automated Quotations – is an electronic stock exchange with more than 3,300 company listings.)

S&P 500 Index

November 1, 2020 – October 31, 2021



Retail sales edge up

Retail sales moved up 0.7% from the previous month in September, and 13.9% from September 2020, according to the Department of Commerce retail report issued October 16. Total sales for the three-month period of July through September were up 14.9% from the same period a year ago.

Auto sales were up 1.4% for the month of September, building material sales were up 2.3%, and home furnishing sales were up 2.9%. Non-store retailers (primarily online) were up 1.6%.

Sales at restaurants and bars were up 3.5% for the month, as consumers continued to return. Sales were up 2.1% from one year earlier.

Personal consumption expenditures increased by 0.6% in September even as personal income declined by 1.0%, according to the Commerce Department.

Employment rises along with average pay

The U.S. economy added 531,000 jobs in October, and the unemployment rate edged down by 0.2% to 4.6%, according to the Employment Situation Report issued November 5 by the Department of Labor. Most of the new jobs were added in the leisure and hospitality sector, professional and business services, manufacturing, and transportation and warehousing.

Average hourly earnings for all employees on private nonfarm payrolls increased by \$0.11 to \$30.96 in October. Over the past 12 months, average hourly earnings have increased by 4.9%.

All sectors rise in October, led by Consumer Discretionary and Energy

All 11 sectors of the S&P 500 moved up in October, with Consumer Discretionary leading the way, up 10.94%. The Energy sector, which has led all sectors this year with a 58.07% gain through the first 10 months, also had a strong month, up 10.36%, followed by Information Technology, up 8.17%.

The chart below shows the results of the 11 sectors for the past month and year-to-date:

S&P 500 sectors

	October returns	2021 returns YTD
Consumer Discretionary	10.94%	22.34%
Energy	10.36%	58.07%
Information Technology	8.17%	24.70%
Materials	7.63%	18.91%
Real Estate	7.55%	33.77%
Financials	7.30%	38.56%
Industrials	6.88%	19.15%
Health Care	5.16%	19.31%
Utilities	4.73%	9.13%
Consumer Staples	3.89%	8.76%
Comm Services	2.83%	25.02%
S&P 500 total return	7.01%	24.04%

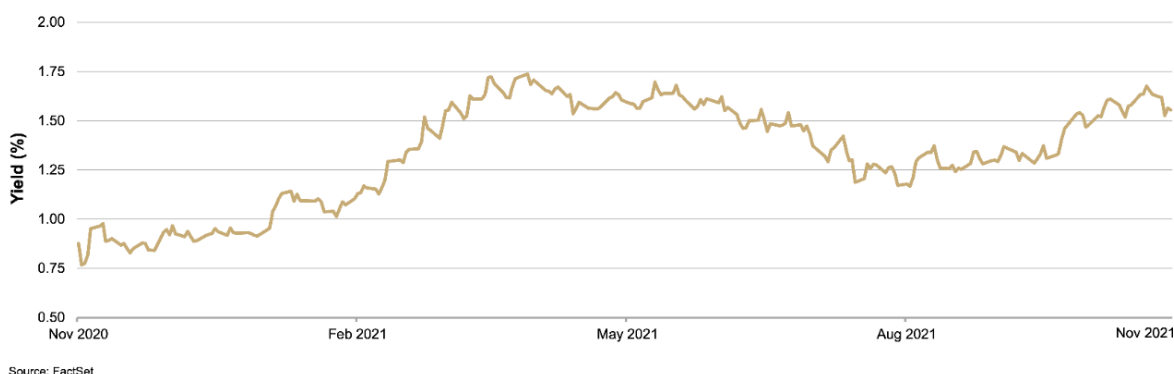
Source: Morningstar

Treasury yields edge up

Bond yields inched up 0.02% in October, with the yield on 10-year U.S. Treasuries climbing from 1.53% at the end of September to 1.55% at the October close.

U.S. Treasury 10-year bond yields

November 1, 2020 – October 31, 2021



Oil prices surge higher

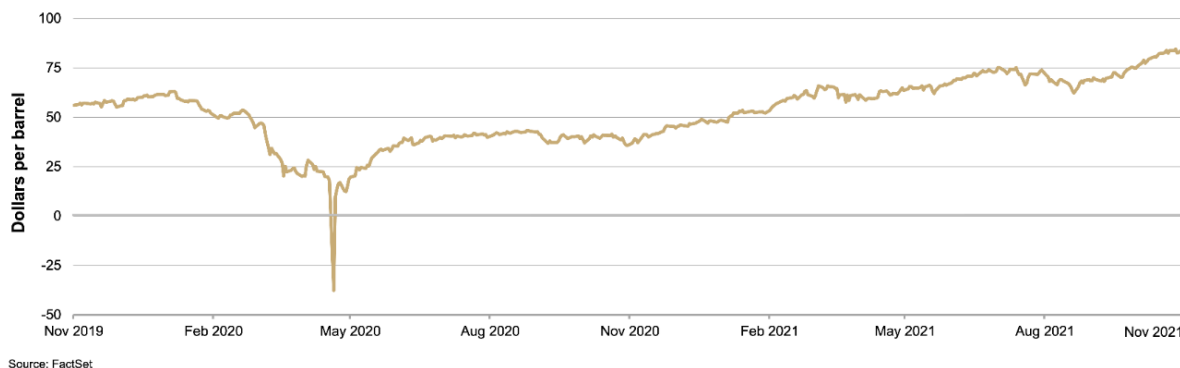
Oil prices continued to surge in October, with the rising demand for oil reflecting the rebound in global travel and manufacturing. The price of West Texas Intermediate jumped 11.38% in October, from \$75.03 per barrel at the end of September to \$83.57 at the October close. Through the first 10 months of 2021, the price of oil has soared 72.24%.

Gasoline prices at the pump have also continued to rise, with the average price per gallon rising from \$3.28 at the end of September to \$3.48 at the October close – an increase of 5.98%. Through the first 10 months of 2021, gasoline prices have surged 50.41%.

(See: **The path from oil to alternative energy hindered by long-term hurdles**)

Oil price – West Texas Intermediate

November 1, 2019 – October 31, 2021



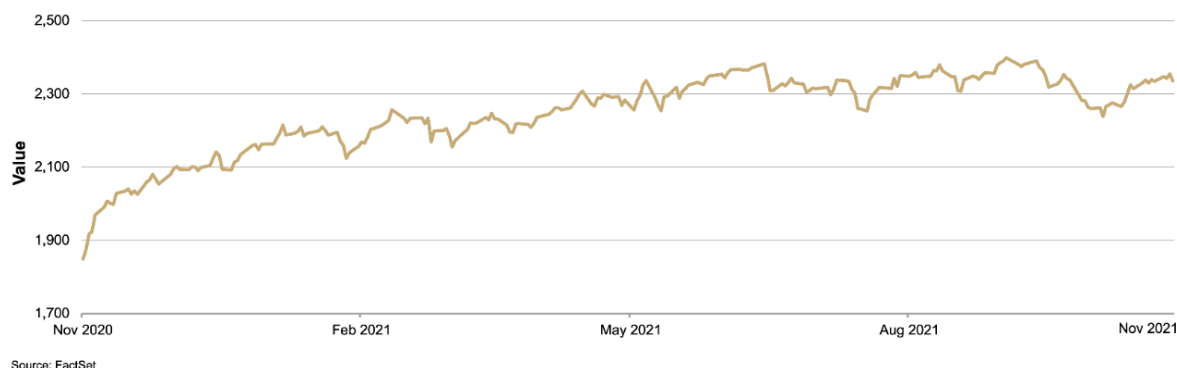
International equities climb

International equities followed suit with the rising trend in U.S. stocks in October. The MSCI EAFE Index, which tracks developed-economy stocks in Europe, Asia and Australia, rose 2.38% for the month, from 2,281.29 at the end of September to

2,335.53 at the October close. Through the first 10 months of 2021, the index was up 8.75%.

MSCI EAFE Index

November 1, 2020 – October 31, 2021



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06/14/2022

JUNE 2022 MARKET UPDATE

Job growth continues despite economic concerns

Although concerns have been growing over the prospects for an economic slowdown, job growth was strong in May, retail sales were solid, and manufacturing activity was steady. Learn the details in Thrivent's June 2022 Market Update.

06/07/2022

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