

### THE WEEK IN REVIEW

The S&P 500 and Dow Jones Industrial Average recorded fresh all-time highs this week despite a much weaker than expected April payrolls report. The areas of the market most closely tied to the business cycle were the strongest weekly performers, as the S&P 500 energy, materials, financials and industrials indexes all advanced by at least 3.3% compared to the broad index's 1.2% rise. Yields on the 10-year U.S. Treasury note declined 0.05% to close the week at 1.57%. The Bloomberg U.S. dollar index declined by roughly 1.2%, while various commodity prices including copper, iron ore, lumber and wheat reached either multi-year or record highs. U.S. Treasury Secretary Janet Yellen caused a brief hiccup in financial markets on Tuesday when a previously recorded interview was released which contained her statement "it may be that interest rates will have to rise somewhat to make sure our economy doesn't overheat." Yellen quickly walked back her comments clarifying that she is not expecting an imminent policy rate increase.

U.S. nonfarm payrolls increased 266,000 in April, which was well below the median estimate of 1,000,000 from a Bloomberg survey of 38 economists. The unemployment rate unexpectedly moved higher to 6.1%, while hourly earnings grew 0.7% from March. Some economists and market commentators have attributed the disappointing April payroll growth to the extension of federal pandemic relief unemployment benefits and stimulus checks potentially discouraging laid off Americans from seeking employment. Encouragingly, nonfarm business labor productivity, a measure of hourly output, increased at a 5.4% annualized rate, the second fastest rate since 2009.

First quarter corporate earnings continued apace this week. According to Bloomberg data, of the 438 members of the S&P 500 which have reported quarterly results thus far, 87% have exceeded consensus analyst profit expectations. Among notable companies reporting this week was CVS Health (CVS) which saw its quarterly revenue come in above forecasts driven by growth in its specialty pharmacy segment and higher foot traffic related to COVID-19 diagnostic testing and vaccinations. Shares of video game producer Activision Blizzard (ATVI) were boosted by strong quarterly results, 38 million news users in the period and increased guidance for full-year sales and profit amid momentum in its flagship titles Call of Duty, World of Warcraft and Candy Crush. Digital payment giant PayPal (PYPL) reported first quarter profits which exceeded expectations and 31% revenue growth from a year ago driven by \$285 billion of total payment volume and 14.5 million net new active users in the period.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Non-Farm Payrolls (Thousands)	266	233	▲
Unemployment Rate	6.1%	6.3%	▼
ISM Manufacturing	60.7	58.7	▲
ISM Non-Manufacturing	62.7	58.7	▲
Labor Productivity	5.4%	-3.8%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	34777.76	2.67%	13.63%	45.66%
NASDAQ	13752.24	-1.51%	6.70%	53.15%
S&P 500	4232.60	1.23%	12.69%	46.97%
MSCI EAFE	2295.82	1.20%	6.91%	41.90%
Bbg Barclays Aggregate US	2336.14	0.28%	-2.34%	0.17%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.01%	0.01%	0.08%
10-Year Treasury	1.57%	1.67%	0.64%

REPORTS DUE NEXT WEEK	LATEST
NFIB Small Business Optimism	98.2
JOLTS Job Openings (Millions)	7.367
Consumer Price Index (Y/Y)	2.6%
Producer Price Index (Y/Y)	4.2%
Retail Sales (M/M)	9.7%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

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