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| **RESOURCE LOG – FEBRUARY 2021** | | | | |
| **Article Title** | **Detail** | **Publication** | **Date** | **Author** |
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| What’s News | ♦ China’s economy began the new year on a weaker footing, as gauges of industrial and services activities eased more than expected in January. | The Wall Street Journal | 02/01/2021 |  |
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| Vaccination Delays Put Global Rebound at Risk | Timetables for vaccinating enough people to effectively curb Covid-19 are slipping in many countries, raising fear’s that a large portion of the world will still be battling the pandemic and its economic effect well into 2022 or beyond. | The Wall Street Journal | 02/01/2021 | Drew Hinshaw and Mike Cherney |
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| Fed Won’t Burst This Bubble (Yet)  *Risk of collateral damage will have to be higher* | Stock valuations are looking stretched and for some observers bubble alarm bells are starting to sound. By a variety of measures, including price to expected earnings and price to the past decade’s inflation-adjusted earnings, equities have never been so expensive outside of the dot-com bubble years.  And then there is the massive amount of speculation and huge price swings that we have begun seeing in some corners of the market – witness the frenzied trading in GameStop shares over the past week – and which have been hallmarks of past bubbles.  Pressed to comment on the stock market in his news conference after the Fed’s two-day policy meeting, Fed Chairman Jerome Powell said on Wednesday that across the asset market, banking and other financial areas the central bank looks at “vulnerabilities overall are moderate.”  Still, if Fed officials aren’t alarmed by what is happening in the stock market, they should at least be worried. Most standard valuation measures show stocks are alarmingly expensive… | The Wall Street Journal | 02/01/2021 | Justin Lahart |
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| What’s News | ♦ the S&P 500 rebounded 1.6%, turning the index positive for the year to date, while the Dow rose 0.8% and the Nasdaq jumped 2.5%. | The Wall Street Journal | 02/02/2021 |  |
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| Dow Industrials Surge Nearly 500 Points | Stocks closed higher, signaling that major indexes may extend this week’s gains.  The S&P 500 rose 52.45 points, or 1.4%, to 3826.31 a day after the broad stock gauge posted its biggest one-day advance since November. The Dow Jones Industrial Average gained 475.57 points, or 1.6%, to 30687.48. The technology-heavy Nasdaq Composite Index climbed 209.38 points, or 1.6%, to 13612.78.  Investor sentiment has been lifted by robust earnings reports from large-cap companies as well as a decline in coronavirus cases in the U.S. and other major economies. | The Wall Street Journal | 02/03/2021 | Joe Wallace and Amber Burton |
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| Oil Giants Warn of Slow Recovery | The big international oil companies are reporting one of their worst annual performances in decades and signaling that the pandemic could continue to challenge their businesses in 2021.  Exxon Mobil Corp. and BP PLC on Tuesday disclosed annual losses of $22 billion and $18.1 billion, respectively, following chevron Corp., which on Friday reported a $5.5 billion loss for 2020.  Pandemic-related restrictions, particularly those that reduced travel, have sapped demand for oil, hitting prices and prompting the world’s biggest energy companies to slash spending, cut jobs and write down the value of their assets. | The Wall Street Journal | 02/03/2021 | Christopher M. Matthews and Sarah McFarlane |
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| EU Economy Falls Further Behind U.S., China | The eurozone’s economy is diverging sharply from the U.S. and China, as stubbornly high coronavirus infections, extensive Covid-19 restrictions and a painfully slow vaccine rollout delay Europe’s recovery from last year’s historic economic downturn.  Fresh data Tuesday highlighted an economic gap between the eurozone and the U.S. and China that is likely to widen this year, given that the U.S. is proceeding more quickly than the European Union is rolling out vaccines and china remains largely free of the virus. | The Wall Street Journal | 02/03/2021 | Tom Fairless, Eric Sylvers and Harriet Torry |
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| The Short March Back to Inflation | Sounding the alarm about inflation is out of vogue. Skeptics point out that high deficit spending, zero interest rates and unprecedented quantitative easing didn’t spur inflation in the decade after the 2008-09 financial crisis. That experience has left a strong impression on makers of monetary and fiscal policy.  But the government response to the pandemic is dwarfing the actions that followed the financial crisis. Fiscal initiatives since last March have already authorized deficit spending equal to 17% of gross domestic product.  President Biden now proposes additional deficit spending equal to roughly 9% of GDP.  Combined with the Fed’s expansive monetary policy, the government’s income supports have generated a surge in money supply and excess household savings.  Although every experience of high deficits accompanied by inflation is different, a common theme is the initiative of fiscal policy makers, who run high deficits and occasionally pressure central banks to keep interest rates low.  History is longer than the past 10 years, and its lesson is that the risk of inflation ought not be taken lightly. | The Wall Street Journal | 02/04/2021 | Michael D. Bordo and Mickey D. Levy |
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| White House Target: Full Employment  *Elusive goal is to boost prosperity without overheating economy* | Driving down unemployment has become the overriding economic goal of top U.S. policy makers, an imperative that will shape many of the big decisions being made in Washington in the months ahead.  The jobless rate stalled at 6.7% in December and November after a rapid descent from double-digit levels last spring. Economists estimate business and government payrolls rose slightly in January and the jobless rate remained stuck in place.  Just a year ago, the unemployment rate had fallen to 3.5%, a low not seen in decades. The Federal Reserve and the new Biden administration want to get back there as quickly as possible. | The Wall Street Journal | 02/05/2021 | Jon Hilsenrath and Kate Davidson |
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| Drop in Jobless Claims Boosts S&P | The broad stock market index ticked up 41.57 points, or 1.1%, to 3871.74, its sixth record close of 2021. The Nasdaq Composite climbed 167.20 points, or 1.2%, to 13777.74, also a high. The Dow Jones Industrial Average rose 332.26 points, or 1.1%, to 31055.86, off 0.4% from its Jan. 20 peak.  The latest data on jobless claims showed that 779,000 people applied for initial benefits last week, a decline from the previous week, but still at a historically high level.  In commodities, silver declined 2.4% following a bout of volatility earlier in the week.  Brent crude, the global benchmark for oil prices, ticked up 0.7% to $58.84 a barrel. | The Wall Street Journal | 02/05/2021 | Anna Hirtenstein and Amber Burton |
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| Bond Market’s volatility Increases Online Trading | The pickup in trading volumes is notable because it follows a banner year for electronic bond-trading platforms.  Contentious elections and investors’ expectations of a vaccine-fueled economic recovery helped drive a surge in bond trading to start the year, boosting market makers. The yield on the benchmark 10-year Treasury note jumped past 1% in January after Democrats secured control of the Senate, boosting investors’ confidence in additional government spending, a move that can weigh on bonds in part by leading to a larger supply of Treasurys.  Rising U.S. government bond yields in recent months have helped spur trading in other credit markets, investors say, since Treasury yields serve as a benchmark for interest rates across the economy. The yield on the 10-year note settled at 1.140%, up from 1.129% at Wednesday’s close and 0.677% at the start of October. | The Wall Street Journal | 02/05/2021 | Sebastian Pellejero |
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| Hiring Resumed At Tepid Pace in January  *Unemployment rate fell to 6.3% but fewer people looked for jobs as recovery stalls* | The unemployment rate fell to 6.3% in January from 6.7% a month earlier, in part reflecting fewer people searching for jobs.  “The recovery is only stumbling along at this point,” said Sarah House, senior economist at Wells Fargo Securities. | The Wall Street Journal | 02/06-07/2021 | Sarah Chaney Cambon |
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| Oil Rises As Supply Tightens, Demand Picks Up  *Signs of strength under market’s surface suggest to some that rally has room to run* | Brent-crude futures, the benchmark in energy markets, have risen more than 50% since the end of October and are approaching $60 a barrel for the first time since Covid-10 began to erode oil demand in early 2020.  The speed of the recovery has surprised some investors and analysts, given that coronavirus continues to curtail demand. | The Wall Street Journal | 02/08/2021 | Joe Wallace |
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| All Major Indexes Rise to Records | Stocks rose to records as investors wagered that a new round of stimulus spending would bolster the economy.  The Dow Jones Industrial Average added 237.52 points, or 0.8%, to close at 31385.76, continuing its climb after the blue-chip index posted its biggest one-week advance since November.  The S&P 500 rose 28.76 points, or 0.7%, to 3915.59, while the technology-heavy Nasdaq composite gained 131.35 points, or 0.9%, to 13987.64. All three indexes ended the day at records. | The Wall Street Journal | 02/09/2021 | Joe Wallace and Alexander Osipovich |
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| What’s News | ♦ The number of help-wanted ads returned to pre-pandemic levels in January, a sign that hiring could pick up. | The Wall Street Journal | 02/10/2021 |  |
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| Junk Has Never Been So Valued  *The average yield on low-rated bonds falls below 4% for first time.* | The Federal Reserve has pushed down long-term interest rates by buying bonds and committed to keep short-term interest rates at near zero through 2023.  Chairman Jerome Powell last month reassured investors that the Red won’t take away its market support until the economy makes “substantial further progress” toward inflation above 2% and maximum employment.  Companies rated in the three lowest non-investment tiers before default have set records for weekly borrowing twice this year, says Bank of America. | The Wall Street Journal | 02/10/2021 | Opinion  Review & Outlook |
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| U.S. Tempers Outlook on Debt as Economy Improves | Federal deficits are projected to soar over the next decade, butt not as much as officials forecast last summer, thanks to an improving economic outlook that is expected to bolster federal revenues, the congressional Budget Office said.  Federal debt, which reached 100% of gross domestic product in the last fiscal year, is expected to rise to a record 107% of economic output by 2031.  Financial markets have shown little concern about the deficit, as inflation stays low and investors around the world seek the safety of U.S. Treasury securities.  As a share of economic output, the deficit tis projected to be 10.3% in fiscal 2021, the second-largest shortfall since the end of World War II…  Net interest costs as a share of GDP will average 1.2% over the next five years, CBO said, well below the 50-year average.  Gross domestic product is expected to grow 3.7% in the fourth quarter of 2021, compared with a year earlier, and to expand 2.4% in 2022. Growth is likely to average 2.6% a year through 2025, the CBO said. | The Wall Street Journal | 02/12/2021 | Kate Davidson |
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| What Inflation Debates Miss: Inflation | Something extraordinary is breaking out at the moment: a debate about inflation.  “There is a chance that macro-economic stimulus on a scale closer to World War II levels than normal recession levels, will set off inflationary pressures of a kind we have not seen in a generation,: Larry Summers warned last week.  Never fear. “I can tell you we have the tools to deal with that risk if it materializes,” Treasury Secretary Janet Yellen reassured the world Sunday.  Most of the social factors about which economists really care when discussing inflation, broadly construed, are flashing red. Whatever other effect a $1.9 trillion stimulus bill and the attendant debt and monetary blowouts might have, it’s unlikely to help. | The Wall Street Journal | 02/12/2021 | Joseph C. Sternberg |
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| U. K. Economy Suffers Biggest Slump in 300 Years | The U.K. economy recorded its biggest contraction in more than three centuries in 2020, according to official estimates, highlighting the Covid-19 pandemic’s economic toll on a country that also has suffered one of the world’s deadliest outbreaks.  Gross domestic product shrank 9.9% over the year as a while, the Office for National Statistics said Friday, the largest annual decline among the Group of Seven advanced economies. France’s economy shrank 8.3% and Italy’s contracted 8.8%, according to provisional estimates. German GDP declined 5%. The U.S. shrank 3.5%.  The Bank of England said this month that it expects a sharp rebound in consumer spending in the second half of the year. | The Wall Street Journal | 02/13-14/2021 | Jason Douglas and Paul Hannon |
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| Inflation Worries Drive Platinum Up | Platinum prices have neared their highest level in six years, driven by concern about inflation and a sweeping rally in financial markets that has powered assets from stocks to oil and bitcoin higher.  Most actively traded platinum futures have risen a bout 17% in 2021 to $1,259 a troy ounce,…  Precious metals are often viewed as a hedge against rising consumer prices. | The Wall Street Journal | 02/13-14/2021 | Joe Wallace |
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| Oil Prices Rally as Cold Blast Hits U.S. | Frigid temperatures across swaths of the U.S. injected new momentum into the rally in energy markets on Monday,…  Brent-crude futures, the benchmark in international energy markets, rose 1.4% to $63.30 a barrel, their highest level since January 2020.  Some analysts think investors have pushed oil prices above levels justified by supply and demand, but others expect them to remain buoyant. | The Wall Street Journal | 02/16/2021 | Joe Wallace |
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| European Stocks Jump, Led by U.K. Shares | The pan-continental Stoxx Europe 600 climbed 1.3% on Monday…  The Stoxx Europe 600 tracks several companies that are sensitive to economic performance, such as car makers and banks, whose stocks are rising as investors bet on the economic rebound, Esty Dwek, head of global strategy at Natixis Investment Managers, said.  The U.K.’s FTSE 100 was the best performing major stock index in Western Europe, rising 2.5%.  In a sign of investors’ rising risk appetite, the yield on 10-year U.K. gilts rose to 0.571% from 0.518%...  Stocks have climbed this year as investors look ahead to additional stimulus spending and an economic recovery as vaccination programs are rolled out around the world. | The Wall Street Journal | 02/16/2021 | Anna Hirtenstein |
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| Riskiest Firms Binge on Low-Cost Borrowing | Investors’ near-insatiable demand for even the riskiest corporate debt is fueling a Wall Street lending boom, offering likeliness for struggling companies even as the coronavirus pandemic still drags on the economy.  Despite the onslaught of new bonds, riskier companies can now borrow at interest rates once reserved for the safest type of debt.  As of Friday, the average yield for bonds in the ICE BofA U.S. High Yield Index – a group that includes embattled retailers and fracking companies – was just 3.97%. by comparison, the yield on the 10-year U.S. Treasury note, which carries essentially no default risk, was as high as 3.23% less than three years ago. The 10-year Treasury yielded around 1.2% Friday.  The most striking aspect of the current lending boom is its timing. Typically, it can take years after recessions for the market to reach its present level of exuberance, analysts said. In this case, it has taken less than 12 months and has arrived just as economic data have revealed a winter slow-down in the recovery.  Still, some analysts aren’t convinced that lower-rated debt is less risky than in the past, arguing that struggling companies will eventually default on their debt when interest rates rise or their own problems worsen. | The Wall Street Journal | 02/16/2021 | Sam Goldfarb and Matt Wirz |
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| Dow Rises to Record, S&P Falls | The Dow Jones Industrial Average rose to a record, extending a rally underpinned by the potential for more fiscal stimulus and hopes for a successful vaccine rollout.  All three stock gauges have notched multiple closing highs in recent days.  The Dow industrials rose 64.35 points, or 0.2%, to 31522.75…  Sentiment also has been buoyed by the rollout of vaccines and a drop in covid-19 infection rates in many countries. | The Wall Street Journal | 02/17/2021 | Caitlin Ostroff and Karen Langley |
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| Fed Agreed continued Low Rates Needed for Recovery | Federal Reserve officials agreed at their most recent policy meeting that they would need to hold interest rates very low and continue central bank bond purchases to help spur the economy’s recovery from the effects of the coronavirus pandemic.  Economic reports released since the meeting show the recovery picked up in the new year as consumers used stimulus checks to boost retail spending…  A number of Fed policy makers at the meeting took note of rising equity and corporate-bond valuations… | The Wall Street Journal | 02/18/2021 | Paul Kiernan |
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| Recovery Broadens As Retail Sales Join Upswing  *Fed model sharply boosts GDP s=estimate amid growing streak of good economic data* | The U.S. economy’s recovery picked up as consumers used stimulus checks to boost retail spending in January to its largest increase in seven months, a jump that comes as manufacturers continued to increase output and employers resumed hiring.  The latest positive signs cam Wednesday when the government said retail sales, a measure of purchases at stores, at restaurants and online, jumped a seasonally adjusted 5.3% in January from a month earlier, and manufacturing output neared pre-pandemic levels.  …signs of growth, fresh government stimulus and eased Covid-19 related business restrictions have prompted some economists by increase gross domestic product estimates for the first quarter of the year. | The Wall Street Journal | 02/18/2021 | Harriet Torry |
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| Future Europe Task: Unlocking Economy  *Nations have kept firms and jobs in place, preventing adaptation to new realities* | It’s an intentional effort to slow an economic deep clean, dubbed by many economists creative destruction. This reflects a political choice: Europeans are generally less tolerant of the brutal adjustments required by the U.S. model of capitalism.  But as the pandemic drags on and Europe’s vaccine roll-out is expected to stretch through the year and beyond, some policy makers, economists and business executives worry that mothballing the economy for so long will leave it struggling to adapt to the seismic business and social changes the crisis is driving. That could stall  an economic recovery.  The eurozone economy shrank more than twice as much as the U.S. last year and will recover more slowly this year, according to the international Monetary Fund, largely because Europe’s governments adopted draconian social restrictions to contain the virus. | The Wall Street Journal | 02/18/2021 | Tom Fairless and Eric Sylvers |
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| Frackers Hold Back as Oil Rallies | The highest prices since January 2020 have given American drillers an unexpected opening to invest in oil patches considered unworkable just a few months ago.  The winter storm that left millions without power this week knocked out as much as 2.5 million barrels a day in the Permian Basin and Eagle Ford of Texas and one million in other oil-rich states, traders estimated.  In earnings call this week, shale executives said they’re sticking to capital discipline, which has become a mantra of the industry following a years-long push by investors. | The Wall Street Journal | 02/18/2021 | Collin Eaton |
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| Yellen Defends $1.9 Trillion Relief Bill | Treasury Secretary Janet Yellen defended the size of the administration’s $1.9 trillion relief package…  “We think it’s very important to have a big package that addresses the pain this has caused,” she said.  The jobless rate in January was 6.3%, almost double the rate before the pandemic…  The congressional Budget Office projected last week that it would take until 2024 for the labor market to return to its pre-pandemic level without additional federal aid.  Asked whether the surge of federal spending could prompt a sustained rise in the inflation rate, Ms. Yellen said that is a risk, but she added that inflation has been very low for many years and that the Federal Reserve has the tools to confront that risk by raising interest rates. | The Wall Street Journal | 02/19/2021 | Late Davidson |
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| Everything is Glittering Except for Gold | You have to feel a little sorry for investors in gold. Central bankers and finance ministries have opened the cash sluices, and what looks like a speculative boom is under way in many corners of global financial markets. But over the past 12 months, the yellow metal – the original darling of skeptics of spendthrift governments – has underperformed the S&P 500.  At a bit below $1,800 a troy ounce, gold prices are far below the highs of around $2,050 reached in early August.  Investors who have a strong view on whether inflation is coming and if so whether the Fed would react quickly against it might make a bet on gold. | The Wall Street Journal | 02/19/2021 | Mike Bird |
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| U.S. Stocks Waver as Bonds Are Sold Off | Investors dumped government bonds and piled into shares of economically sensitive companies on Friday, betting that the U.S. economy will rev-up in coming months.  The yield on the 10-year Treasury note touched its highest level since February 2020…  Shares of small companies and sectors of the market like financials and energy notched strong gains…  The Russell 2000 index of small companies gained 48.30 points, or 2.2%, to 2266.69.  The Dow added 0.98 points to 31494.32. The Nasdaq rose 9.11 points, or 0.1%, to 13874.46.  In bond markets, the yield on the 10-year Treasury note rose to 1.344%, from 1.286% on Thursday. Yields rise as bond prices fall.  …Federal Reserve Bank of Boston President Eric Rosengren said he expects the economy to pick up steam as vaccines are distributed.  Stocks have come under pressure in recent days as high valuations for technology stocks and rising bond yields weighed on sentiment.  People have also piled into bitcoin, sending its market cap above $1 trillion for the first time Friday, according to Dow Jones Market Data. | The Wall Street Journal | 02/20-21/2021 | Anna Hirtenstein and Gunjan Banerji |
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| Housing, Online Shopping Propel Job Gains | The U.S.’s blue-collar workforce has begun to benefit from a strengthening job market.  Nationally, employment in residential construction, package delivery and warehousing now exceeds pre-pandemic levels. Manufacturers have steadily added back jobs after slashing payrolls last spring, though employment remains down about 5% from February 2020, according to Labor Department data. | The Wall Street Journal | 02/22/2021 | Sarah Chaney Cambon |
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| Bond-Yield Rise Puts Pressure on Stocks | The sharp increase this month in U.S. government-bond yields is pressuring the stock market and forcing investors to more seriously confront the implications of rising interest rates.  While the lift in yields largely reflects investor expectations of a strong economic recovery, the collateral damage could include higher borrowing costs for businesses, more alternatives for investors that have been forced into stocks and less favorable valuation models for some hot technology shares, investors and analysts said.  As of Friday, the yield on the benchmark 10-year U.S. Treasury note stood at 1.344%, up from 1.157% just five trading sessions earlier and about 0.9% at the start of the year. | The Wall Street Journal | 02/22/2021 | Sam Goldfarb |
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| Small Stocks Widen Their Lead  *Investor optimism for economic stimulus pushes Russell 2000 up 15% so far this year* | Shares of small companies are outpacing their larger counterparts by the widest margin in more than two decades. Behind their rise: confidence among investors that heavy stimulus and coronavirus vaccine deployment will boost the economy.  Through Friday, the Russell 2000 index of small companies had climbed 15% and set 10 closing records this year, well above the S&P 500’s 4% rise. That is the largest such gap between the two indexes through Feb. 19 since 2000, according to Dow Jones Market Data.  Smaller companies are more tied to the domestic economy than their large-cap counterparts, which make more money overseas.  The sustained leadership from small-caps also shows how traders are pouring money into investments that they think have more room to climb. | The Wall Street Journal | 02/23/2021 | Marco Quiroz-Gutierrez |
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| What’s News | ♦ The Nasdaq slid 2.5% as rising bond yields and investor bets on a further economic rebound weighed on tech giants’ shares. The S&P 500 lost 0.8%, while the Dow rose 0.1%. | The Wall Street Journal | 02/23/2021 |  |
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| Stocks Bounce Back After Powell Talk | “the economy is a long way from our employment and inflation goals,” Mr. Powell said at a hearing of the Senate Banking Committee Tuesday morning, adding that a substantial recovery “is likely to take some time.”  A sharp rise in yields on U.S. government bonds in recent days has sapped investors’ appetite for riskier assets, including stocks.  Shares in technology companies, which have powered the broader market higher for much of the past year, are seen as particularly vulnerable, thanks to high valuations. | The Wall Street Journal | 02/24/2021 | Michael Wursthorn and Joe Wallace |
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| Stocks Jump on Powell’s Reassurance | Stocks turned higher after Federal Reserve Chairman Jerome Powell signaled that the central bank isn’t about to alter its monetary policy, helping push the Dow Jones Industrial Average to a record.  The blue-chip index rose 424.51 points, or 1.3%, to 31961.86, its 10th closing high this year.  The S&P 500 rose 44.06 points, or 1.1%, to 3925.43. The Nasdaq composite added 132.77 points, or 1%, to 13597.97, and the Russell 2000 small-cap index jumped 53.07 points, or 2.4%, to 2284.38.  Investors said a rise in government bond yields, driven by improving growth prospects and rising inflation expectations, has accelerated a rotation out of the tech stocks that led markets higher during the pandemic and into the stocks best placed to benefit from an end to lockdowns.  The yield on the benchmark 10-year Treasury note, which moves inversely to tis price, rose to 1.43% early in the session and settled at 1.388%, a 52-week high. That was up from 1.363% Tuesday.  Bitcoin rose 1% to $48,526 after falling 13% Tuesday. | The Wall Street Journal | 02/25/2021 | Will Horner and Paul Vigna |
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| What’s News | ♦ The Dow rose 1.3% to a record, while the S&P 500 and Nasdaq gained 1.1% and 1%, respectively. The Russell 2000 jumped 2.4%. | The Wall Street Journal | 02/25/2021 |  |
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| Treasury Selloff Intensifies, Yields Rise Above 1.5% | A wave of selling in U.S. government bonds intensified on Thursday, sending yields soaring after new data indicated a strengthening economic recovery and an auction of seven-year Treasurys met with tepid demand from investors.  The yield on the benchmark 10-year Treasury note reached as high as 1.539% before finishing Thursday’s session at 1.513%.  Yields, which rise when bond prices fall, climbed after Labor Department data showed that the number of jobless claims fell sharply last week, signaling the job market could be stabilizing after layoffs edged higher earlier in the winter.  Investors tend to sell Treasurys when they expect faster growth and inflation, which lowers the value of bonds’ fixed payments and can eventually lead the Federal Reserve to raise short-term interest rates.  While Federal Reserve officials have said the yield’s climb toward pre-pandemic levels marks a return to normalcy and isn’t problematic, some investors are worried that a pickup in inflation could force the central bank to raise interest rates faster than expected, said Gennadiy Goldberg, U.S. rates strategist at TD Securities.  The central bank cut interest rates to near zero and committed to buying billions of dollars of bonds to keep U.S. borrowing costs down and help aid the recovery.  Comments from Fed officials that they aren’t worried about rising yields have only added to the selling pressure in the bond market, analysts said. | The Wall Street Journal | 02/26/2021 | Sebastian Pellejero and Sam Goldfarb |
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| Rare Bond-Market Inversion Signals Boost to Inflation | Investors’ inflation expectations can be seen in Treasury markets by looking at the difference between the yields on ordinary Treasurys and the yields on inflation protected Treasurys, known as TIPS. This difference is called the break-even rate.  The difference between five-year Treasury and TIPS yields shows break-even inflation expectations have risen to nearly 2.4% in recent days – the highest level since May 2011, implying inflation is set to pick up.  Another view is that the inversion in break-even rates might signal expectations that the Federal Reserve – contrary to promises – will react swiftly to cap inflation and keep it close to its 2% target.  There is also still a lingering concern about the economic pain that a cycle of rising interest rates would cause in a world saddled with even more debt than households, companies and governments were bearing before the Covid-19 pandemic struck. | The Wall Street Journal | 02/26/2021 | Paul J. Davies |
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| Stocks Slide as Treasury Yields Shoot Up | The Dow Jones Industrial Average fell more than 550 points Thursday as a wave of selling that began in the technology sector took down swaths of the market.  Investors rushed out of some of the hottest stocks of the year, sending shares of companies like Apple Inc., Alphabet Inc. and Netflix Inc. down more than 2% apiece. Tesla Inc. shares dropped more than 8%.  The Dow dropped 559.85 points, or 1.8%, to 31402.01, pulling back from Wednesday’s record high.  The S&P 500 shed 96.09 points, or 2.4%, to 3829.34, and the Nasdaq composite lost 478.53 points, or 3.5%, to 13119.43, notching its biggest one-day pullback since October.  “the market is jittery. The bond yields’ rising to putting equities, especially growth stocks, under pressure,” said Sebastien Galy, senior macro strategist at Nordea Asset Management. “there is a bit of a risk reduction broadly.” | The Wall Street Journal | 02/26/2021 | Akane Otani and Anna Hirtenstein |
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| The Markets and Mr. Powell | The 10-year Treasury is often called the world’s most important price, and it has moved up by some 58 basis points in about two months to a yield of 1.525%. The rapid move has caught markets by surprise. The Fed was supposed to be keeping long bond prices down for months if not years to come through its quantitative-easing bond purchases.  Growth means more risk-taking, and rising rates are often associated with economic recoveries and faster growth. By any normal historical standard, a 10-year yield of 1.525% is hardly something to be alarmed about.  But then why would stocks prices fall as bond yields rose? Perhaps it’s merely a correction for inflated equities, especially tech stocks. But the less benign explanation is that markets see a $4 trillion tsunami of U.S. debt coming as the Biden spending plan moves ahead. | The Wall Street Journal | 02/26/2021 | Opinion  Review & Outlook |
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| Income Rise Tees Up Fast Growth | Pandemic aid to households is pouring money into the U.S. economy, priming it for rapid growth this year.  Household income – the amount Americans received from wages, investments and government programs – rose 10% in January from the previous month, the Commerce Department said Friday.  January’s increase in household income was almost entirely due to federal pandemic-relief aid included in a $900 billion program signed into law in late December.  There will likely be more government money flowing into the economy soon.  Americans last month spent a chunk of their income, boosting spending by 2.4%, the first gain in three months. | The Wall Street Journal | 02/27-28/2021 | Josh Mitchell |
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| Stocks Pressured on Inflation Concern | Rising bond yields blunted U.S. stocks’ market momentum this week despite signs of an improving American economy.  On Friday, the Dow Jones Industrial Average fell 469.64 points, or 1.5%, to 3811.15, down 2.45% for the week.  The tech-heavy Nasdaq Composite, which has risen farther than its peers since last March and has been particularly driven by momentum traders, suffered a bigger loss this week. It fell 4.9% on the week, its worst percentage loss since the week ended Oct. 29. On Friday, it rose 72.91 points, or 0.6%, to 13192.35.  Government spending and the Federal Reserve’s aggressive monetary policy have supported the stock market during a tumultuous year. But those two sources of stimulus are now fueling inflation bets and sparking a bond selloff.  The lack of returns on bonds drove investors to stocks, pushing valuations to their highest point in years. Now that bond yields are rising, those richly valued stocks look less attractive. | The Wall Street Journal | 02/27-28/2021 | Paul Vigna and Caitlin Ostroff |

“In politics, stupidity is not a handicap.” Napoleon Bonaparte

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