THE WEEK IN REVIEW
The Federal Reserve announced on Wednesday it still plans to keep its benchmark interest rate at zero through 2023. With the economic recovery accelerating and certain states beginning to ease restrictions, the Fed also upgraded its forecasts for economic growth and inflation, now expecting a 6.5% increase in GDP with a 2.2% increase in core inflation this year. The 10-year U.S. Treasury yield continued to climb higher and reached 1.76% intraday on Thursday, marking its highest level in over a year. While this yield level is still historically low, the rapid pace of the rise in yields from 0.92% at the start of the year has sparked some concern. High interest rates have pressured stocks as some investors shift away from stocks in search of better yields.

Economists anticipated initial unemployment claims would fall to a pandemic-era low of 700,000 for the week ending March 13. However, claims came in 70,000 higher than economists’ average projection and increased 45,000 from the previous week to 770,000. Unemployment claims remain above the pre-pandemic peak of 665,000 during the Great Recession, and in 2019 claims averaged just over 200,000 per week. It appears the U.S. economy still has a long road ahead to get back toward full employment.

U.S. retail sales year-over-year growth slowed in February to 6.3% from 9.5% growth in January. There were two major factors for the deceleration. First, inclement weather struck the country during February. Second, $600 stimulus checks were sent out in January, but not in February. Many economists believe retail sales will strengthen in March amid the distribution of the $1400 stimulus checks and improved weather.

Housing construction starts declined 10.3% from January to an annualized rate of 1.42 million in February, the lowest rate since last August and well below economists’ projections for 1.56 million. The severe winter weather likely curbed residential construction last month. Housing starts are expected to see a strong rebound in March. Building permits, a proxy for future construction, came in at a 1.68 million annualized rate. The number of new building permits has been higher than the new home starts rate for seven consecutive months which indicates demand for new houses is still strong.

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

This Financial Market Update was prepared by MainStreet Investment Advisors, LLC (“MainStreet Advisors”), an investment advisor registered with the SEC and wholly-owned subsidiary of Fifth Third Bank, National Association. Registration as an investment adviser does not imply any level of skill or training. Information and opinions herein are as of the publication date and are subject to change without notice based on market and other conditions. The week is calculated beginning with Monday’s market open. The specific securities identified are shown for illustrative purposes only and should not be considered a recommendation by MainStreet Advisors. Index and sector statistics are unmanaged and a common measure of performance of their respective asset classes. Indexes are not available for direct investment. Any graph, data, or information is considered reliably sourced and for educational purposes only. Any suggestion of cause and effect or of the predictability of economic or investment cycles is unintentional. This Financial Market Update may contain forward-looking statements and/or candid statements and observations regarding investment strategies, asset allocation, individual securities, and economic and market conditions; however, there is no guarantee that the statements, opinions, or forecasts will prove to be correct. The material included herein was prepared or is distributed solely for information purposes; is not a solicitation or an offer to buy/sell any security or instrument, to participate in any trading strategy or to offer advisory services by MainStreet Advisors; is not intended to be used as a general guide to investing or as a source of any specific investment recommendations; makes no implied or express recommendations concerning the manner in which any client’s account should or would be handled; and should not be relied on for accounting, tax or legal advice. There are risks involved with investing including possible loss of principal and the value of investments and the income derived from them can fluctuate. Investing for short periods may make losses more likely. Past performance is not indicative of future results, which may vary. Investors are urged to consult with their financial advisors before buying or selling any securities. Not a deposit, not FDIC insured, may lose value, not bank guaranteed, not insured by any federal government agency.