

PNC WEEKLY MARKET WATCH

June 1, 2021



MACRO PERSPECTIVE

- Tapering, or reducing the pace of the Federal Reserve's (Fed's) asset purchase program, remains top of mind given the market's uneven track record after previous episodes. A number of Fed officials furthered the conversation last week, suggesting while they might not be "thinking about thinking about" raising the policy rate, they are beginning to "talk about talking about" tapering. In our view it also suggests Fed officials see the economic recovery progressing and thus feel there is less need for unprecedented monetary policy support.

EQUITY MARKETS

- Domestic equities rallied last week, led by smaller-capitalization and growth stocks. Through the end of May, the S&P 1500® is having its best start in 20 years, up four months in a row. However, it has also seen its weakest positive monthly return since 2018.
- The S&P 500® Energy and Materials sectors had the highest returns for the month, outpacing not only the large-cap index, but the Bloomberg Commodity Index. Those performance outcomes reinforce our view that in periods of rising prices equities deliver better performance than the underlying commodities.
- MSCI World ex USA Index performance was mostly positive across countries and sectors. Outsized performance came from the automobile industry, rallying alongside positive news from U.S. car makers Ford Motor Company and General Motors Company.
- Every sector in the MSCI Emerging Market (EM) Index posted positive returns for a second straight week. It was the strongest weekly gain in nearly two months as the semiconductor industry rebounds from the selloff earlier in the month.
- While there are a number of conferences in the coming week, there are two in particular on which we are focused: the monthly OPEC+ meeting on June 1 and the annual Bernstein Strategic Decisions Conference on June 3, where PNC is expected to present. With oil prices at their highest level since fourth-quarter 2018 heading into the summer driving season and Iran slowly coming back to market, we expect discussions around tweaking current production targets to begin at the upcoming OPEC+ meeting.

FIXED INCOME MARKETS

- Technicals in the Treasury market are showing signs of exhaustion for rising rates, as both the 10-year U.S. Treasury yield and the 2- to 10-year yield spread fell below their respective 50-day moving averages for the entire week, the longest stretch of time for both since last August.

CHART OF THE WEEK

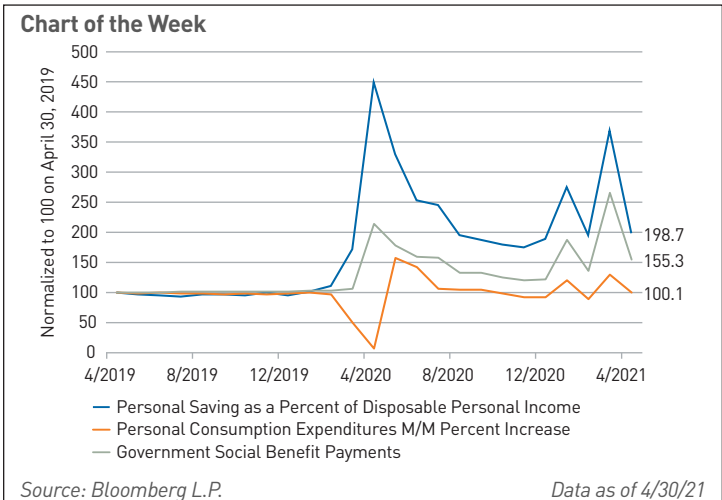
- Last Friday's monthly consumer income report showed the immediate effects of removing stimulus checks. Personal income growth on a year-over-year basis was just 0.5%, and the percentage of disposable income to total income reversed last month's record with the lowest growth rate, declining 4.4%.
- One of the many metrics that made the COVID-19 recession so unique was that consumer balance sheets actually improved despite widespread economic disruption. As such, the U.S. saving rate remains elevated at 14.9%, compared to an average 7.4% in the five years before the pandemic began.
- In our view, choppy consumption data influenced by unprecedented fiscal stimulus, combined with an elevated saving rate, reinforces expectations for transitory inflation.

		Price	Total Return (USD)				
			1 Week	QTD	YTD	1 Year	
All	S&P 1500	966	1.24%	5.94%	13.26%	42.57%	
	S&P 500	4,204	1.20%	6.07%	12.62%	41.02%	
	Communication Services	257	2.47%	7.78%	16.49%	44.74%	
	Consumer Discretionary	1,380	2.27%	3.02%	6.22%	39.65%	
	Consumer Staples	725	-0.35%	4.02%	5.22%	23.32%	
	Energy	390	-0.01%	6.39%	39.22%	40.72%	
	Financials	630	1.09%	11.67%	29.53%	64.21%	
	Health Care	1,437	-0.61%	5.93%	9.29%	23.58%	
	Industrials	886	2.00%	6.84%	19.03%	57.06%	
	Information Technology	2,427	1.59%	4.31%	6.36%	44.34%	
	Materials	547	0.72%	10.84%	20.91%	60.36%	
	Real Estate	270	2.10%	9.59%	19.48%	28.66%	
	Utilities	330	-1.57%	1.80%	4.65%	13.71%	
	Russell 1000	2,365	1.30%	5.88%	12.14%	43.43%	
	Growth	2,573	1.63%	5.33%	6.32%	41.29%	
	Value	1,584	0.98%	6.43%	18.41%	44.33%	
	Russell 3000	2,512	1.38%	5.63%	12.34%	44.60%	
	Russell Mid-Cap	3,127	1.69%	5.94%	14.56%	50.92%	
	S&P 400	2,727	1.43%	4.71%	18.81%	55.98%	
Russell 2000	2,269	2.45%	2.31%	15.30%	63.81%		
Growth	1,513	2.63%	-0.74%	4.10%	50.18%		
Value	2,500	2.29%	5.20%	27.47%	77.42%		
S&P 600	1,372	2.15%	4.16%	23.15%	71.32%		
MSCI ACWI	711	1.42%	6.05%	11.01%	42.49%		
Ex. US	355	1.60%	6.18%	10.00%	42.37%		
MSCI EAFE	2,341	1.24%	6.89%	10.74%	38.04%		
MSCI World ex-US	2,357	1.26%	7.29%	11.77%	39.30%		
Emerging Markets	1,361	2.39%	3.70%	6.13%	50.60%		
Alternative	S&P GSCommodity	519	2.53%	10.96%	25.99%	62.57%	
	Gold	1902.5(\$/oz)*	1.41%	10.93%	0.06%	7.65%	
	Crude Oil	66.32(\$/bbl)*	4.31%	12.00%	36.93%	87.53%	
	Copper	4.6825(\$/lb)*	3.79%	16.71%	32.27%	92.57%	
	FTSE ALL REIT	245	2.01%	8.73%	17.95%	32.73%	
Taxable Fixed Income			YTD	1 Week	QTD	YTD	1 Year
	Short	1 Year Treasury	0.04%	-0.01%	0.04%	0.12%	0.30%
		1-3 Year Govt/Credit	0.25%	0.06%	0.20%	0.16%	0.85%
		Intermediate Govt.	0.60%	0.19%	0.69%	-1.04%	-0.82%
	Core Plus	Int. Govt/Credit	0.87%	0.22%	0.90%	-0.98%	0.92%
		Int. Aggregate	1.18%	0.19%	0.74%	-0.88%	0.58%
		U.S. Aggregate	1.50%	0.35%	1.12%	-2.29%	-0.09%
	Other	U.S. Treasury	0.91%	0.36%	1.10%	-3.20%	-3.38%
		U.S. TIPS	n/a	0.55%	2.63%	1.12%	7.12%
		U.S. Credit	2.03%	0.52%	1.79%	-2.74%	3.78%
		Corp. Invest. Grade	2.11%	0.55%	1.88%	-2.85%	4.11%
		Corporate High Yield	4.03%	0.36%	1.39%	2.25%	14.95%
		Leverage Loan Index	n/a	0.14%	0.98%	2.02%	9.18%
Emerging Markets		4.73%	0.47%	3.02%	-1.87%	8.78%	
Muni.	FI	Short	0.26%	0.10%	0.23%	0.36%	1.22%
		Short-Intermediate	0.50%	0.12%	0.47%	0.30%	2.19%
		Intermediate	0.91%	0.18%	0.98%	0.52%	3.78%
Dollar			Price	1 Week	QTD	YTD	1 Year
	FX	EUR	1.22	0.06%	4.03%	-0.07%	9.92%
		JPY	109.40	-0.60%	1.00%	-5.96%	-1.54%
	\$	CNY	6.36	1.07%	2.97%	2.74%	10.99%
		**US TW Major Currencies	102	-0.32%	-3.32%	-0.88%	-9.19%
		**US TW \$-Broad Index	111	-0.08%	-2.47%	-0.22%	-8.20%

Data as of 5/28/21 unless otherwise noted. Source: FactSet® Research Systems Inc., Standard & Poor's, Russell Investments, MSCI, Barclays Capital, Commodity Research Bureau, Federal Reserve

* Spot price

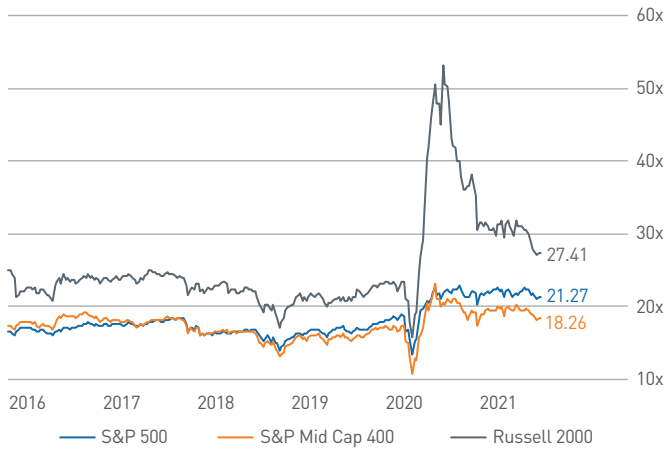
** As of 5/21/21



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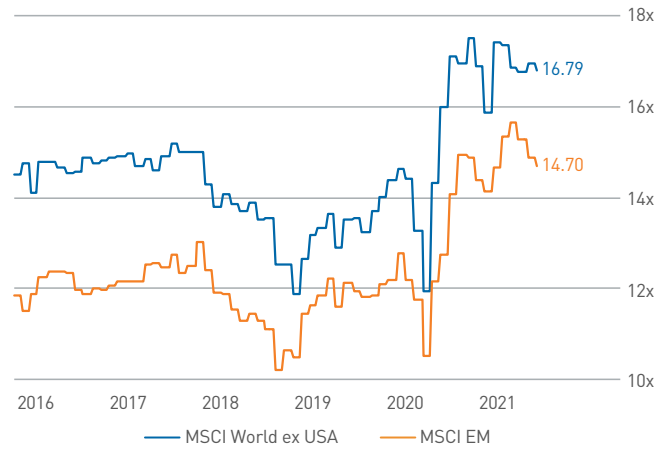
Domestic Equity Valuations

Next-12-Month Price-to-Earnings Ratio
As of 5/28/21



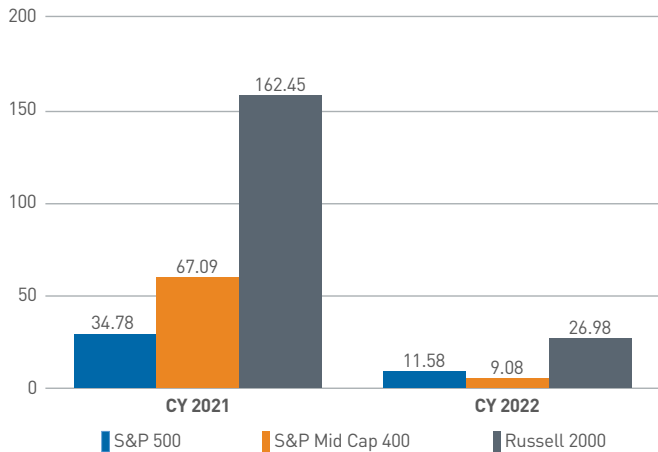
International Equity Valuations

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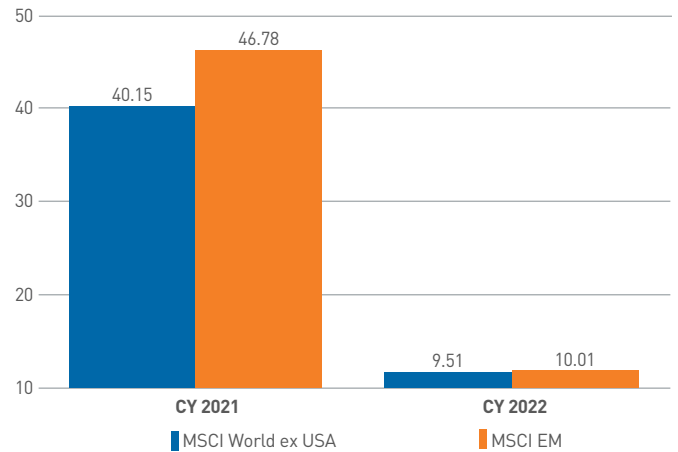
Domestic Equity Earnings Growth Estimates

Earnings Per Share Year-over-Year Percent Growth Estimates
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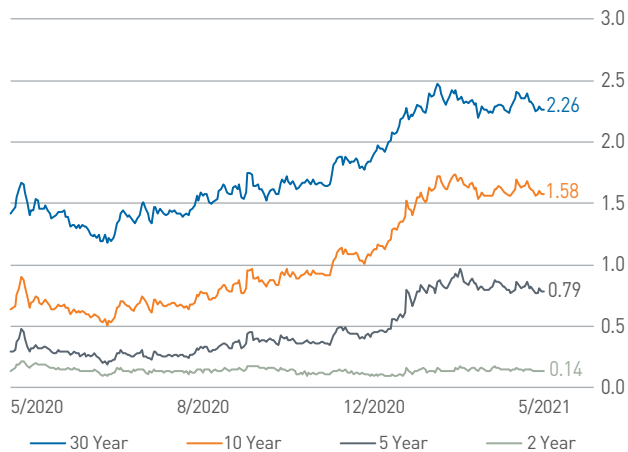
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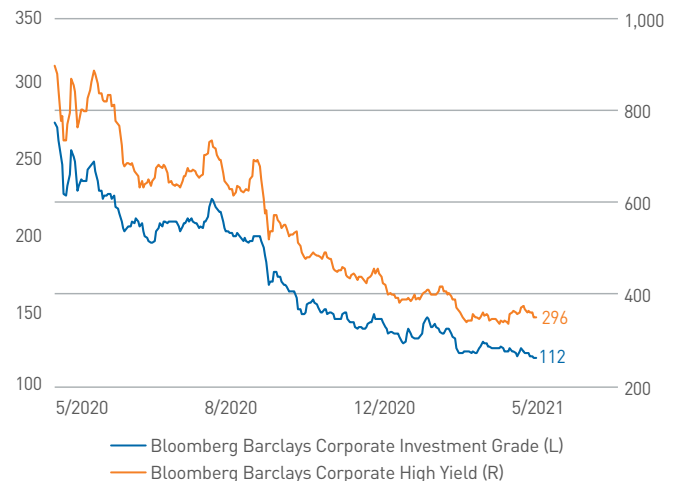
U.S. Treasury Yields

Percent Yield
As of 5/28/21



Option-Adjusted Spreads

Basis Points
As of 5/28/21



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THE WEEK AHEAD

Day	Country	Event	Period	Surv(M)**	Prior
SUNDAY May 30	JN	Industrial Production Year over Year (YoY)	Apr P*	17.0%	3.4%
	JN	Retail Sales YoY	Apr	15.3%	5.2%
	CH	Manufacturing PMI	May	51.2	51.1
MONDAY May 31	JN	au Jibun Bank Japan Manufacturing PMI®	May F*	—	52.5
	CH	Caixin China General Manufacturing PMI™	May	51.9	51.9
	US	Markets Closed - Memorial Day	5/31/21		
	UK	Markets Closed - Spring Bank Holiday	5/31/21		
TUESDAY June 1	GE	Retail Sales NSA YoY	Apr	10.1%	11.6%
	GE	IHS Markit/BME Germany Manufacturing PMI®	May F*	64.0	64.0
	EC	IHS Markit Eurozone Manufacturing PMI®	May F*	62.8	62.8
	UK	IHS Markit/CIPS UK Manufacturing PMI® Seasonally Adjusted	May F*	66.1	66.1
	US	IHS Markit U.S. Manufacturing PMI™	May F*	61.5	61.5
	US	ISM® Manufacturing PMI®	May	61.0	60.7
WEDNESDAY June 2	US	Dallas Fed Manufacturing Activity	May	36.5	37.3
	US	Wards Total Vehicle Sales	May	17.90m	18.51m
	US	Fed's Harker Speaks at Fed Forum on Racism and the Economy			
THURSDAY June 3	US	Evans, Bostic and Kaplan on Panel at Fed Forum on Racism			
	US	Challenger Job Cuts YoY	May	—	-96.6%
	US	ADP® Employment Change	May	690k	742k
	US	Nonfarm Productivity	1Q F*	5.5%	5.4%
	US	Fed's Harker Discusses Building an Equitable Workforce Recovery			
FRIDAY June 4	US	Fed's Quarles Speaks at SIFMA Conference			
	EC	Retail Sales YoY	Apr	25.6%	12.0%
	US	Powell Takes Part in BIS Panel on Climate			
	US	Change in Nonfarm Payrolls	May	678k	266k
	US	Average Hourly Earnings YoY	May	1.6%	0.3%
	US	Factory Orders	Apr	0.4%	1.1%
US	Durable Goods Orders	Apr F*	—	-1.3%	

*P = Preliminary F = Final **Economist Survey Median

Source: Bloomberg L.P., PNC

Data as of 5/28/21

THE WEEK BEHIND

Day	Country	Event	Period	Surv(M)**	Actual	Prior
MONDAY May 24	US	Chicago Fed National Activity Index	Apr	—	0.24	1.71
TUESDAY May 25	GE	GDP WDA YoY	1Q F	-3.0%	-3.1%	-3.0%
	GE	ifo Business Climate	May	98.1	99.2	96.6 R
	US	FHFA House Price Index Month over Month (MoM)	Mar	1.4%	1.4%	1.1% R
	US	New Home Sales	Apr	950k	863k	917k R
	US	Conference Board Consumer Confidence	May	119.4	117.2	117.5 R
THURSDAY May 27	US	Richmond Fed Manufacturing Index	May	19	18	17
	GE	GfK Consumer Confidence	Jun	-5.0	-7.0	-8.8 R
	US	Durable Goods Orders	Apr P	0.8%	-1.3%	1.3% R
	US	GDP Annualized Quarter over Quarter	1Q S	6.4%	6.4%	6.4%
FRIDAY May 28	US	Kansas City Fed Manufacturing Activity	May	—	26	31
	EC	Consumer Confidence	May F	—	-5.1	-5.1 R
	EC	Economic Confidence	May	112.1	114.5	110.5 R
	US	Wholesale Inventories MoM	Apr P	—	0.8%	1.1% R
	US	Personal Income	Apr	-15.0%	-13.1%	20.9% R
	US	Personal Consumption Expenditures Core Deflator YoY	Apr	3.0%	3.1%	1.9% R
US	MNI Chicago PMI	May	69.0	75.2	72.1	
US	University of Michigan Consumer Sentiment	May F	83.0	82.9	82.8	

*P = Preliminary F = Final R = Revised *WDA = Work Day Adjusted

**Economist Survey Median

Source: Bloomberg L.P., PNC

Survey data as of 5/21/21

Actual data as of 5/28/21

PNC WEEKLY MARKET WATCH

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Investment & Portfolio Strategist

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