Weekly Market Review

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The Week Ending March 5, 2021

Stocks ended the week with a rally off news of expectations beating the February jobs report, saving a positive week for the S&P 500 Index. However, Friday's market rally could not push the technology-heavy Nasdaq Composite Index back into the green for the week. The value rotation story continued as energy and financials were the strongest sectors of the week after oil market-friendly announcements from OPEC and higher interest rates continued.

Friday's strong jobs report ended up reversing S&P 500 losses from earlier in the week. This followed Thursday's unemployment claims reported as the lowest weekly number in nearly three months, although still 500,000 jobs greater than 2019's average. With restaurant hiring leading job growth for February, perhaps this is the inflection point the labor market has been waiting for as vaccine distribution continues to allow the economy to reopen gradually. While there is still a long way to go before the labor market has recovered, the job's report paired with President Biden's $1.9 trillion stimulus bill passing the Senate over the weekend has many economists more optimistic for the rest of the year.

Before the labor market started a broad market rally Friday, the energy sector was one of the stronger sectors during the week. The Organization of the Petroleum Exporting Countries and a Russian-led coalition (OPEC+) met last week with the market expecting the group would reach an agreement to produce more oil. That ended up not being the case. Instead, the group kept pandemic instituted limits on supply, even as oil demand increases, which sent the price of oil to its highest price in over a year. Oil demand is expected to increase in the coming months as economies reopen, making OPEC+ one of the biggest factors as to where the price of oil goes from here.

Current data is sending mixed signals to the stock market. Higher energy prices are a positive factor for energy companies but can lead to higher costs for those consuming energy. Higher interest rates are positive for financials but can lead investors to question how much they are willing to pay for a growth stock. Looking at the Nasdaq Index more directly points to a growing divergence. According to the Wall Street Journal, 4% of Nasdaq stocks are trading at one-year high prices, while 4% of the index is trading at one-year low prices. This creates immense opportunities for actively managed mutual funds and is one reason Allegheny believes in active management. While the data and indices seem to be sending mixed signals to the broad market, active managers are finding opportunities and avoiding the 4% of Nasdaq stocks trading at lows to deliver better returns for your portfolio.

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