

# Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

## A strange pandemic for asset valuations: they've gone up! (Part I)



Alex Carrick

### Housing & share price wealth advances

For the past year, the news has been filled with deeply distressing stories about the coronavirus contagion and sectors of the economy where jobs and earnings losses have been enormous.

Against most initial expectations, however, there's been one underpinning of the lives of many of us (keeping our fingers crossed) that has gone mainly from strength to strength, the value of our assets. Prices for residential properties have made solid gains and stock markets have been soaring.

Several pandemic-related factors have boosted housing real estate values. (1) The Federal Reserve has kept interest rates inordinately low, stimulating demand. (2) Existing-home owners are staying put, reducing the inventory of properties offered for sale.

(3) Prospective buyers are looking for accommodations with adequate square footage to facilitate the new work-from-home trend. And (4), in some instances, government income relief checks have helped with the accumulation of down payment funding.

As for equity prices, February 2021 saw new all-time highs attained by the Dow Jones Industrials average, the S&P 500, NASDAQ and the Toronto Stock Exchange. Year over year, as of the latest month's closing, the DJI was +21.7%; the S&P 500, +29.0%; NASDAQ, an outstanding +54.0%; and the TSX, a modest +11.0%. But it should be added that with commodity prices beginning to revive, the TSX managed a better month-to-month gain in February (+4.2%) than the other four indices.

Also, worth noting (see Table 2), is that NASDAQ's supremacy for valuation appreciation has been challenged at home by the Russell 2000 firms-with-smaller-capitalizations index (+49.1% y/y) and, internationally, by the iShares MSCI Emerging Markets Asia index (+41.7% y/y).

The Tokyo Nikkei 225 index has been no slouch, either, +37.0% y/y.

To be continued in *Economy at a Glance*, Vol. 17, Issue 44.

For more articles by Alex Carrick on the Canadian and U.S. economies, please visit: [www.constructconnect.com/blog](http://www.constructconnect.com/blog).

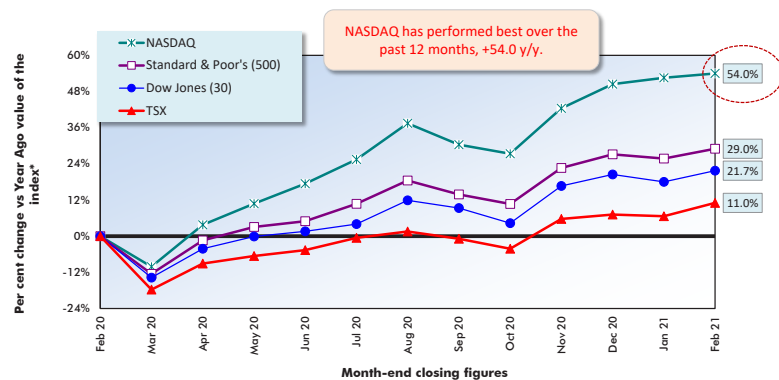
Table 1: Stock exchanges – performances of key indices – February 26, 2021

INDEX	52-week		Year ago (Feb 28, 2020)	Month ago (Jan 29, 2021)	Latest month-end closing prices (Feb 26, 2021)	Per cent change, latest versus:			
	low	high				52-week low	52-week high	Year ago	Month ago
Dow Jones Industrials NYSE (^dji)	Mar 23 20 18,214	Feb 24 21 32,010	25,409	29,983	30,932	69.8%	-3.4%	21.7%	3.2%
S & P 500 NYSE (^gspc)	Mar 23 20 2,192	Feb 16 21 3,950	2,954	3,714	3,811	73.9%	-3.5%	29.0%	2.6%
NASDAQ (^ixic)	Mar 23 20 6,631	Feb 16 21 14,175	8,567	13,071	13,192	98.9%	-6.9%	54.0%	0.9%
S&P/TSX Composite TSX (^gsptse)	Mar 23 20 11,173	Feb 16 21 18,580	16,263	17,337	18,060	61.6%	-2.8%	11.0%	4.2%

All 4 indices set new highs in Feb 2021. The TSX, thanks to commodity price hikes, recorded the best m/m jump, +4.2%. Due to worries about inflation, long-term bond yields are rising. Bonds as an increasingly attractive investment may take some of the steam out of equities.

NASDAQ has continued to outperform the other indices in terms of percentage change relative to both 52-week lows and year-ago levels!

Graph 1: Performances of key stock market indices during latest year



\*Each month's closing figure vs. the Feb 28, 2020 value for the index. Latest data points are for Feb 26, 2021.

Data Sources: New York Stock Exchange (NYSE), Standard and Poor's (S & P), National Association of Securities Dealers Automated Quotations (NASDAQ), Toronto Stock Exchange (TSE) and Reuters. Table and Chart: ConstructConnect — CanaData.

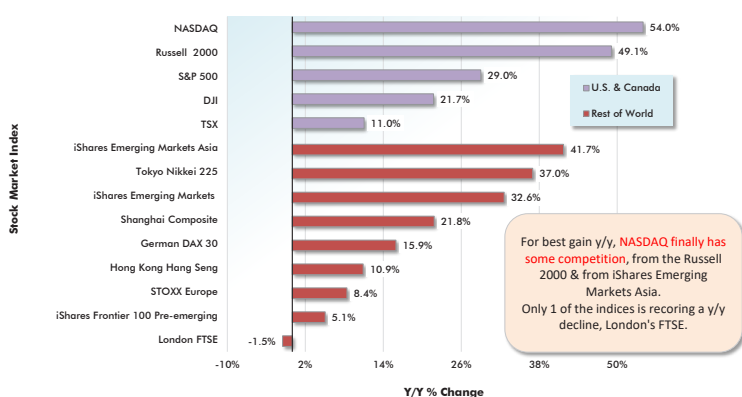
Table 2: Key Domestic & International Stock Market Indices – February 26, 2021

Stock Index:	Month-end Closing Value Feb 26, 2021	Month/ Month/	Year/ Year
Dow Jones Industrials (^DJI)	30,932.00	3.2%	21.7%
S&P 500 (^GSPC)	3,811.00	2.6%	29.0%
NASDAQ (^IXIC)	13,192.00	0.9%	54.0%
Russell 2000 (^RUT)	2,201.00	6.1%	49.1%
Toronto Composite (^GSPTSE)	18,060.00	4.2%	11.0%
London FTSE 100 (^FTSE)	6,483.00	1.2%	-1.5%
German DAX 30 (^GDAXI)	13,786.00	2.6%	15.9%
STOXX Europe (EXSA.DE)	40.08	2.7%	8.4%
Tokyo Nikkei 225 (^N225)	28,966.00	4.7%	37.0%
Shanghai Composite Index (000001.SS)	3,509.00	0.7%	21.8%
Hong Kong Hang Seng (^HSI)	28,980.00	2.5%	10.9%
iShares MSCI Emerging Markets Asia Index (EEMA)	92.47	1.4%	41.7%
iShares MSCI Emerging Markets Index (EEM)	53.73	0.8%	32.6%
iShares MSCI Frontier 100 ETF for pre-emerging markets (FM)	28.86	-0.4%	5.1%

"Ticker symbols" are in brackets. MSCI (formerly Morgan Stanley Capital International) is a leading provider of investment decision support tools, with indices as one speciality. "iShares" is a web site that specializes in "exchange traded funds", or ETFs, managed by BlackRock Investments LLC.

Data Source: 'finance.yahoo.com' / Table: ConstructConnect — CanaData.

Graph 2: Stock Market Performances: U.S. & Canada vs Rest of World Year over Year as of Month-end Closings, February 26, 2021



For best gain y/y, NASDAQ finally has some competition, from the Russell 2000 & from iShares Emerging Markets Asia. Only 1 of the indices is recording a y/y decline, London's FTSE.

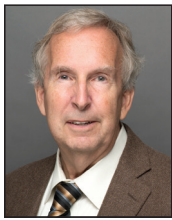
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# Economy at a Glance

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## A strange pandemic for asset valuations: they've gone up! (Part 2)



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Continued from *Economy at a Glance*, Vol. 17, Issue 43.

### What has asset appreciation meant for related jobs?

If anyone is in doubt as to how truly amazing U.S. stock market performances have been, they need only look at the results in Graph 4. Over the past dozen years, dating back to February 2009, which was the last major trough period for share prices, the DJI index has climbed +338%; the S&P 500, +419%; and NASDAQ, a stunning +857%.

Surely the improvement in asset valuations means that employment in related areas must be setting the pace among all jobs. No, not necessarily.

In the monthly *Employment Situation Report* published by the Bureau of Labor Statistics (BLS), there are four broad job categories with close ties to asset management: (1) finance and insurance; (2) real estate and rental and leasing; (3) legal services; and (4) accounting and bookkeeping services.

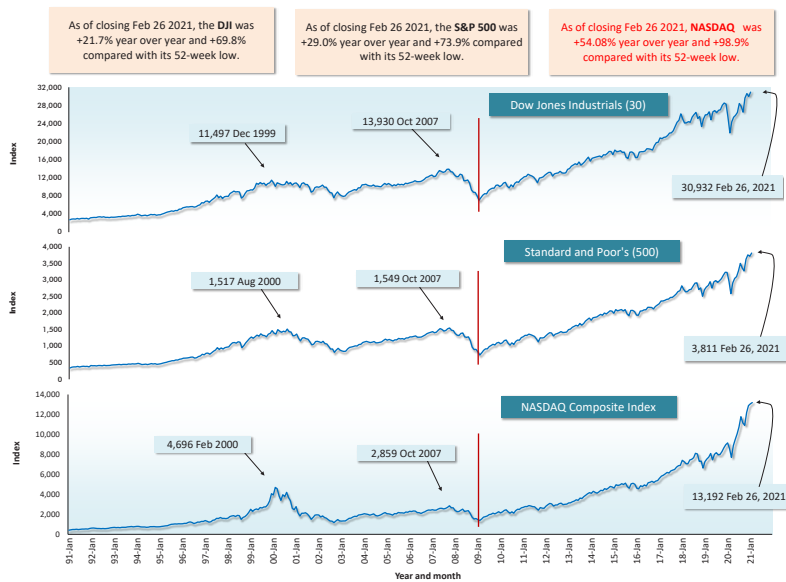
As of February 2021, the year-over-year number-of-jobs levels have been -5.5% in (2) and -3.1% in both (3) and (4), while staying flat, +0.4%, in (1). There's a subset of (1) termed 'securities, commodity contracts, investments, and funds and trusts', where employment is +1.1% year over year. But the level of such employment, which does relate specifically to stock market activity, is relatively small, just under one million individuals. By way of comparison, its 'umbrella category, 'finance and insurance', employs 6.5 million people.

There would seem to be two factors at play in these disappointing employment results. First, potential customers seeking these services have been able to increasingly access 'pre-packaged' help online. Second, the acceleration in the tendency to work from home has taken a toll on the need for in-office support staff.

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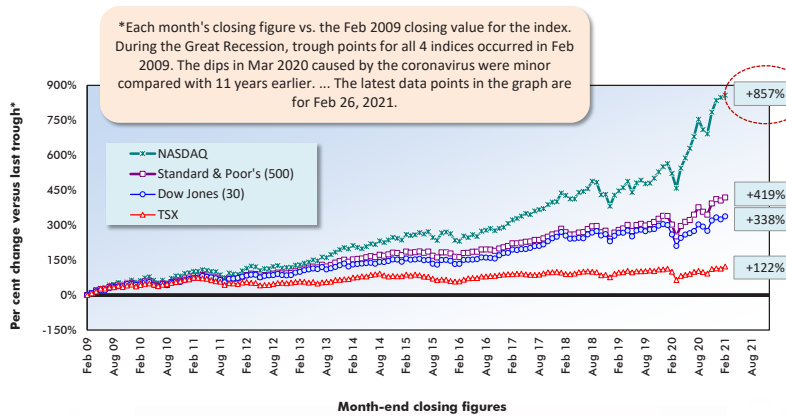
For more economic charts and articles, visit: <https://canada.constructconnect.com/canadata/forecaster>

Graph 3: U.S. Stock Markets – February 2021



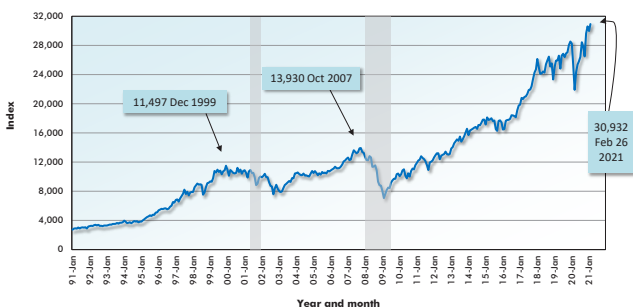
Red vertical lines denote Feb. 2009 major 'troughs' for the indices. The latest data points are for Feb. 26, 2021.

Graph 4: Performances of key stock market indices since 2008-09 troughs



As of Feb 26 2021 closing values, percentage increases of key stock market indices since their Feb 2009 major troughs: NASDAQ +857%; S&P 500 +419%; DJI +338%; and TSX +122%.

Graph 5: New York Stock Exchange: Dow-Jones Industrials (30)



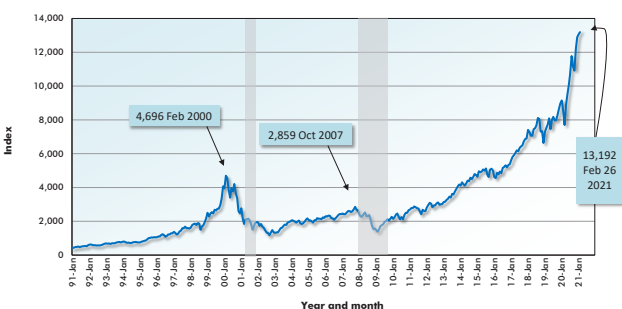
Upon closing, Feb 26 2021, the DJI was +3.2% m/m and +21.7% y/y. Compared with its all-time high of 32,010 just recently reached on Feb 24 2021, the DJI ended the month -3.4%.

Graph 6: New York Stock Exchange: Standard and Poor's (500)



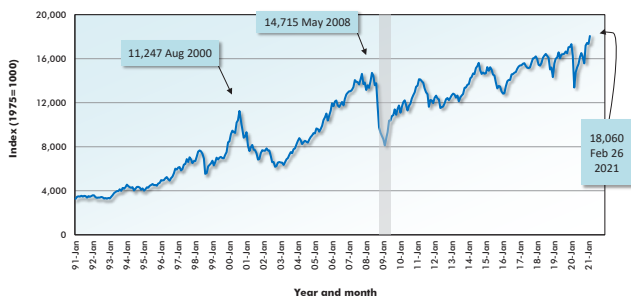
Upon closing, Feb 26 2021, the S&P 500 was +2.6% m/m and +29.0% y/y. Compared with its all-time high of 3,950 just recently reached on Feb 16 2021, the S&P 500 ended the month -3.5%.

Graph 7: NASDAQ Composite Index



Upon closing, Feb 26 2021, NASDAQ was +0.9% m/m and +54.0% y/y. Compared with its all-time high of 14,175 just recently reached on Feb 16 2021, NASDAQ ended the month -6.9%.

Graph 8: S&P/TSX Composite Index: Toronto Stock Exchange



Upon closing, Feb 26 2021, the TSX was +4.2% m/m and +11.0% y/y. Compared with its all-time high of 18,580 just recently reached on Feb 16 2021, the TSX ended the month -2.8%.

Areas of grey shading denote century's 2 prior recessions ('dot.com' collapse in 2001 & Great Recession Q1 08 to Q2 09). For Graph 8: Area of grey shading denotes Canada's earlier recession in current century (Q4 2008 to Q2 2009; no 'dot.com' collapse). The charts shows month-end closing figures. The latest data points are for February 26, 2021.

Data Sources: New York Stock Exchange (NYSE), Standard and Poor's (S & P), National Association of Securities Dealers Automated Quotations (NASDAQ), Reuters and Yahoo / Charts: ConstructConnect — CanaData.