

Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

Stock market shifts may speak volumes for construction (Part I)

North America's major stock market indices generally ended May in fine fashion, but there were some changes in month-to-month performances that perhaps hold important significance for future construction activity.

May was one of those rare months when the NASDAQ index did not rush onward to establish a new all-time high. In fact, NASDAQ in the latest period was -1.5% m/m.

Nor did the Russell 2000 small-cap index make much noise. It was only +0.1% m/m.

Instead, the leader among the indices on a month-to-month basis was the Toronto Stock Exchange, +3.3%. This is quite a departure for the TSX. It hasn't been out front much for more than a decade.

Since 2009, NASDAQ has been driven upwards in meteoric fashion by growth in the high-tech sector. High-tech jobs are primarily office jobs. Therefore, prior to the pandemic and prior to 'work from home' directives, the success of NASDAQ led directly to surges in office building construction in major cities throughout the U.S. and Canada.

Next leading waves of growth

It may finally be the case, however, that investors are anticipating the next leading waves of growth will be switching back to more tradition sources.

Over the years ahead, cyclical manufacturing will be receiving boosts from deglobalization, a more stringent 'Buy America'



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policy, observance of USMCA rules on sourcing and even a trillion-dollar or more infrastructure spending plan, provided it achieves passage.

Infrastructure projects gobble up vast arrays of building materials, including steel, cement and lumber for formwork.

Furthermore, the Biden Administration's clear support for electrification signals a demand for copper (e.g., in distribution lines) and nickel (e.g., in electric batteries) that will kick off an old-fashioned revival in raw materials extraction.

Plus, other metals and minerals such as lithium and cobalt are finding their moments in the sun.

New mega-sized resource projects, entailing massive construction undertakings, have been nearly absent from the scene since back in the 00s.

The Toronto Stock Exchange is known for its heavy weighting in resource sector firms. It's no coincidence that the pickup in the TSX is corresponding with the improving outlook for commodities.

As a final note on this subject, the price of oil, both for West Texas Intermediate (WTI) and Brent crude, has recently zoomed (although briefly) past \$70 USD per barrel after languishing for years.

To be continued in *Economy at a Glance*, Vol. 17, Issue 87.

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

Table I: Stock exchanges – performances of key indices – May 28, 2021

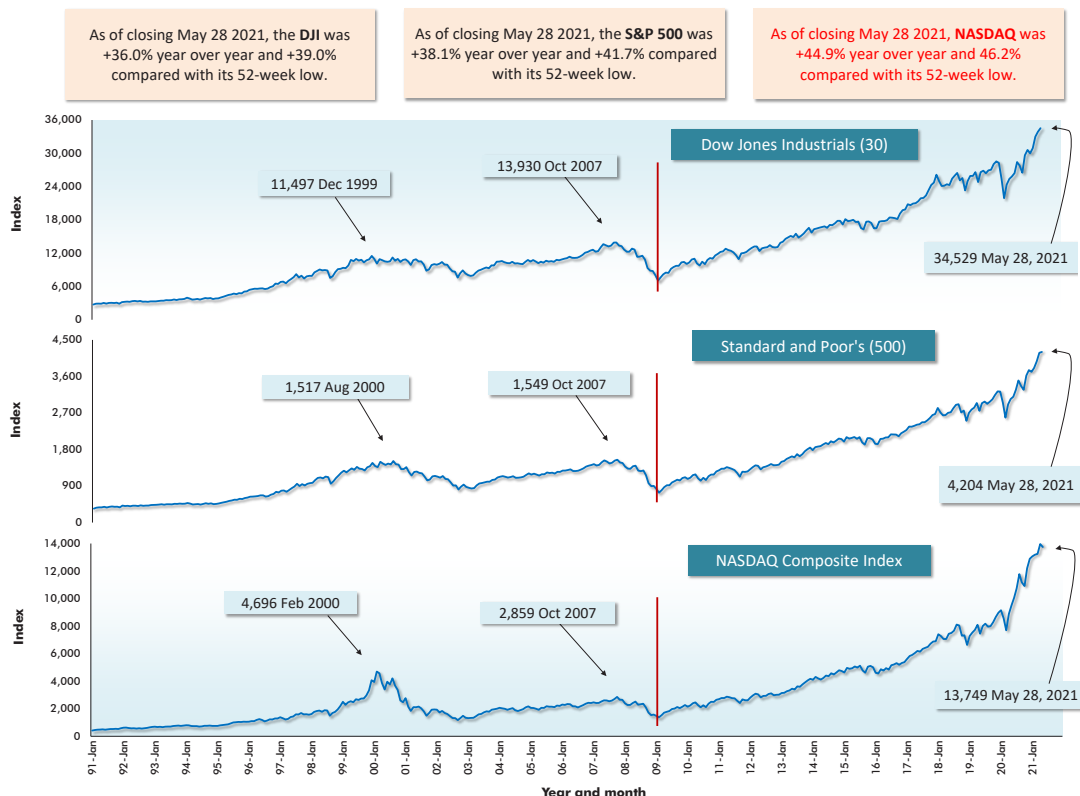
INDEX	52-week		Year ago (May 29, 2020)	Month ago (Apr 30, 2021)	Latest month-end closing prices (May 28, 2021)	Per cent change, latest versus:			
	low	high				52-week low	52-week high	Year ago	Month ago
Dow Jones Industrials NYSE (^dji)	Jun 15 20 24,843	May 10 21 35,092	25,383	33,875	34,529	39.0%	-1.6%	36.0%	1.9%
S & P 500 NYSE (^gspc)	Jun 15 20 2,966	May 7 21 4,238	3,044	4,181	4,204	41.7%	-0.8%	38.1%	0.6%
NASDAQ (^ixic)	Jun 15 20 9,403	Apr 29 21 14,212	9,490	13,963	13,749	46.2%	-3.3%	44.9%	-1.5%
S&P/TSX Composite TSX (^gsptse)	Jun 15 20 14,935	May 31 21 19,910	15,193	19,108	19,731	32.1%	-0.9%	29.9%	3.3%

May was a rare month in which NASDAQ did not set a new all-time high. The other 3 indices all did reach new peaks in the latest month. On June 1, 2021, the TSX climbed above 20,000 for the first time in its history.

NASDAQ closed May still the leader in terms of percentage change relative to both 52-week lows and year-ago levels!

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: ConstructConnect — CanaData.

Graph I: U.S. Stock Markets – May 28, 2021 Closings



Latest data points are for May 28, 2021. Red vertical lines denote Feb. 2009 major 'troughs' for the indices.

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.

Economy at a Glance

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Stock market shifts may speak volumes for construction (Part 2)



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Continued from *Economy at a Glance*, Vol. 17, Issue 86.

Other highlights from the tables & graphs

From Graph 3, February 2009 marked the last major trough points for the U.S. and Canadian stock market indices.

As of May 2021's closing values, NASDAQ was +898%, the S&P 500, +472% and the DJI, +389% compared with their bottoms of a dozen years ago. Those are truly remarkable gains.

NASDAQ has managed a nearly tenfold increase in the past dozen years. The benefits accruing to the U.S. economy from its high-tech head office strength cannot be overstated.

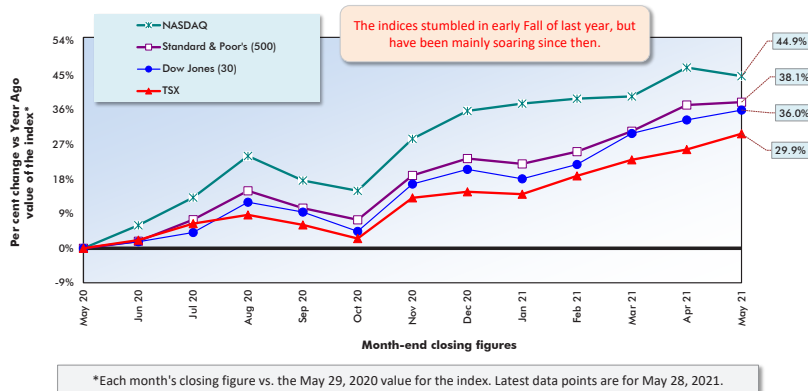
The present level of the TSX compared with its value in February 2009 is only +143%. No wonder Canadians look to house prices for their asset holding increases rather than share prices.

From Table 2, the biggest year-over-year increase in index value internationally currently belongs to the Russell 2000, +62.8%. But second place goes to iShares Emerging Markets Asia, +47.3%, beating NASDAQ, +44.9%.

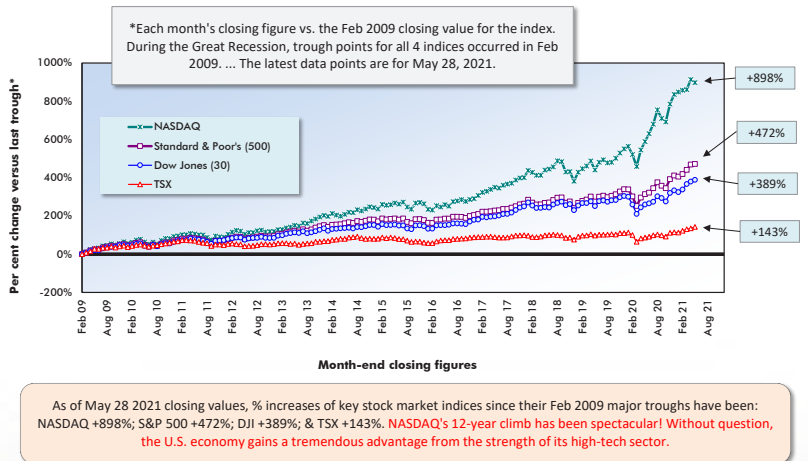
On a month-to-month basis on the global stage, the leader is the Shanghai Composite Index, +4.9%. Second spot belongs to the iShares Frontier 100 for Pre-emerging Markets Index, +4.2% m/m.

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Graph 2: Performances of key stock market indices during latest year



Graph 3: Performances of key stock market indices since 2008-09 downturn



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

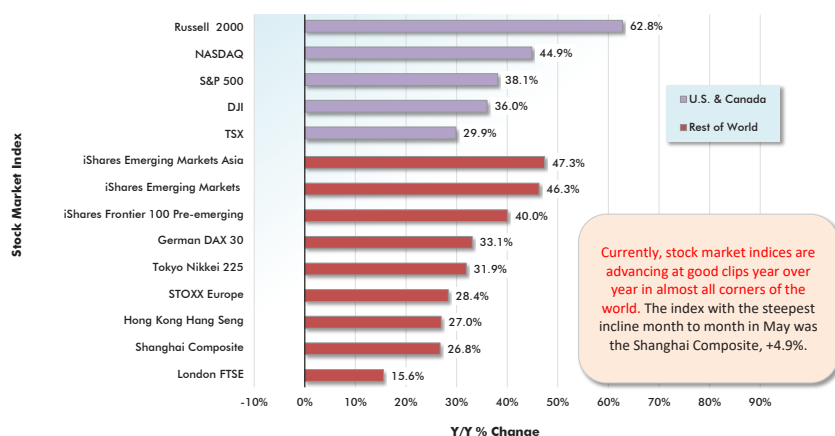
Table 2: Key Domestic & International Stock Market Indices – May 28, 2021

Stock Index:	World leader month over month & year over year:	Month-end Closing Value May 28, 2021	Month/ Month	Year/ Year
Dow Jones Industrials (^DJI)		34,529.00	1.9%	36.0%
S&P 500 (^GSPC)		4,204.00	0.6%	38.1%
NASDAQ (^IXIC)	North America	13,749.00	-1.5%	44.9%
Russell 2000 (^RUT)		2,269.00	0.1%	62.8%
Toronto Composite (^GSPTSE)		19,731.00	3.3%	29.9%
London FTSE 100 (^FTSE)	Europe	7,023.00	0.8%	15.6%
German DAX 30 (^GDAXI)		15,421.00	1.9%	33.1%
STOXX Europe (EXSA.DE)		44.76	3.0%	28.4%
Tokyo Nikkei 225 (^N225)	Asia	28,860.00	0.2%	31.9%
Shanghai Composite Index (000001.SS)		3,615.00	4.9%	26.8%
Hong Kong Hang Seng (^HSI)		29,152.00	1.5%	27.0%
iShares MSCI Emerging Markets Asia Index (EEMA)		91.99	0.8%	47.3%
iShares MSCI Emerging Markets Index (EEM)		54.87	1.6%	46.3%
iShares MSCI Frontier 100 ETF for pre-emerging markets (FM)		32.14	4.2%	40.0%

"Ticker symbols" are in brackets. MSCI (formerly Morgan Stanley Capital International) is a leading provider of investment decision support tools, with indices as one specialty. "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 4: Stock Market Performances: U.S. & Canada vs Rest of World Year over Year as of Month-end Closings, May 28, 2021



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