

Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

What are the stock markets saying? Investor confidence is riding high (Part I)



Alex Carrick

Investment in the private sector, of which construction activity is a key component along with purchases of machinery and equipment, depends on a host of factors including the level of interest rates; utilization and vacancy rates; revenue flows and corporate profits; and the availability of risk capital and/or government funding help.

All these factors come together in a two-word phrase, 'investor confidence'.

Currently, investor confidence is riding high.

One primary indicator of investor confidence can be found in the stock market. In North America at least, stock market indices are humming along more than just nicely.

NASDAQ took a breather in May, but in June it resumed its march upwards, again setting a record. The S&P 500 and the Toronto Stock Exchange (TSX) joined NASDAQ in climbing to new peaks in the latest month. Only the Dow Jones Industrials index, which established a record high in May, failed to scale to a new summit in June.

The DJI was the only one of the four principle indices shown in Table 1 to record a month-to-month decline in June and it was barely negative, -0.1%.

NASDAQ was +5.5% month to month in June and +44.2% year over year. As impressive as that y/y gain was, though, the Russell 2000 index, which captures the equity performances of small cap firms in the U.S., was +60.4% y/y.

To be continued in *Economy at a Glance*, Vol. 17, Issue 106.

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



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

Table 1: Stock exchanges – performances of key indices – June 30, 2021

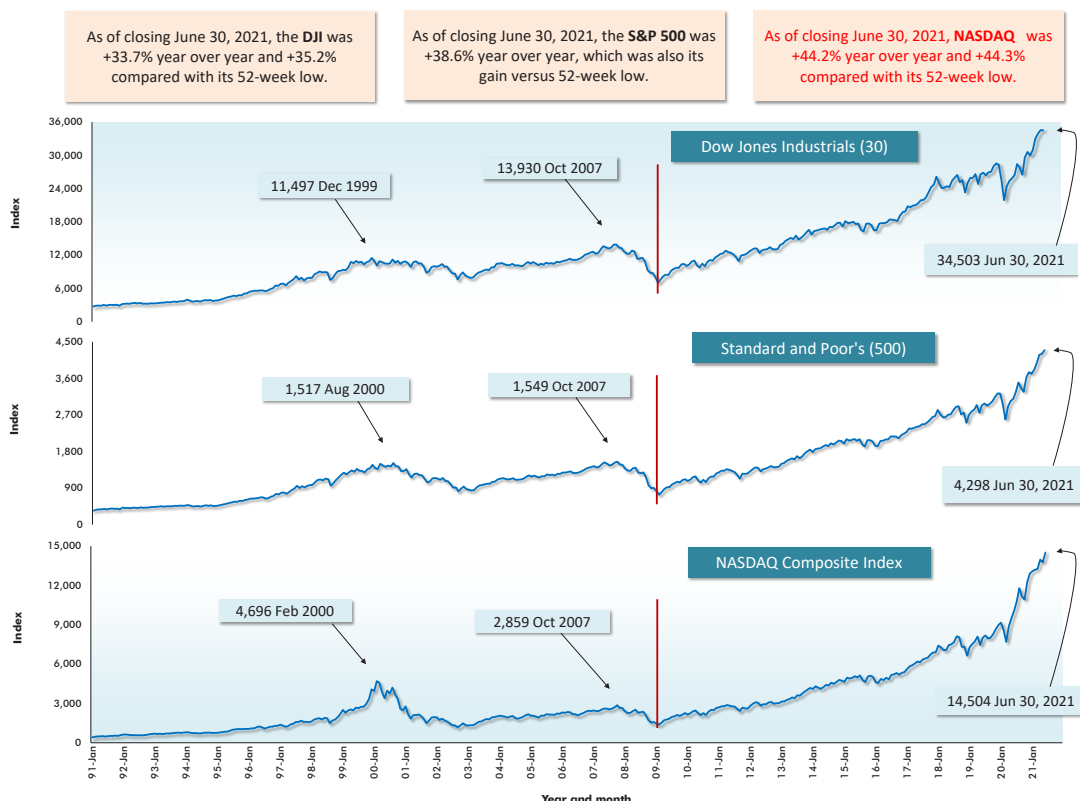
INDEX	52-week		Year ago (Jun 30, 2020)	Month ago (May 28, 2021)	Latest month-end closing prices (Jun 30, 2021)	Per cent change, latest versus:			
	low	high				52-week low	52-week high	Year ago	Month ago
Dow Jones Industrials NYSE (^dji)	Jul 9 20 25,524	May 10 21 35,092	25,813	34,529	34,503	35.2%	-1.7%	33.7%	-0.1%
S & P 500 NYSE (^gspc)	Jul 1 20 3,101	Jun 30 21 4,302	3,100	4,204	4,298	38.6%	-0.1%	38.6%	2.2%
NASDAQ (^ixic)	Jul 1 20 10,048	Jun 29 21 14,536	10,059	13,749	14,504	44.3%	-0.2%	44.2%	5.5%
S&P/TSX Composite TSX (^gspstse)	Jul 9 20 15,392	Jun 16 21 20,295	15,515	19,731	20,166	31.0%	-0.6%	30.0%	2.2%

With the DJI as the exception, 3 of the 4 indices established record highs in June. Also, only the DJI recorded a m/m decline in June, albeit a small one, -0.1%. On June 1, the TSX rose above 20,000 for the 1st time in history.

Versus 52-week low & year-ago, NASDAQ is still the frontrunner, but its lead over the other indices, especially the S&P 500, has narrowed.

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 1: U.S. Stock Markets – June 30, 2021 Closings



As of closing June 30, 2021, the DJI was +33.7% year over year and +35.2% compared with its 52-week low.

As of closing June 30, 2021, the S&P 500 was +38.6% year over year, which was also its gain versus 52-week low.

As of closing June 30, 2021, NASDAQ was +44.2% year over year and +44.3% compared with its 52-week low.

Latest data points are for June 30, 2021.

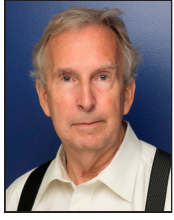
Red vertical lines denote Feb. 2009 major 'troughs' for the indices.

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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What are the stock markets saying? Investor confidence is riding high (Part 2)



Alex Carrick

Continued from *Economy at a Glance, Vol. 17, Issue 105.*

With the exceptions of some iShares indices for emerging and pre-emerging markets, the five North American indices have again taken the lead on the world stage (see Table 2 and Graph 4).

The Nikkei 225, STOXX Europe, German DAX 30, Shanghai Composite, Hong Kong Hang Seng and London

FTSE indices have recorded respectable year-over-year increases ranging from +14% to +29%. Nevertheless, they trail the smallest climb made by the five U.S.-Canada indices, the +30.0% y/y made by the TSX.

Construction-related equities

If NASDAQ is +44.2% y/y and Apple (AAPL) is +50.2% y/y, an equity appreciation by half y/y would seem to be a good target to shoot for. How have publicly traded companies in construction-related areas been doing?

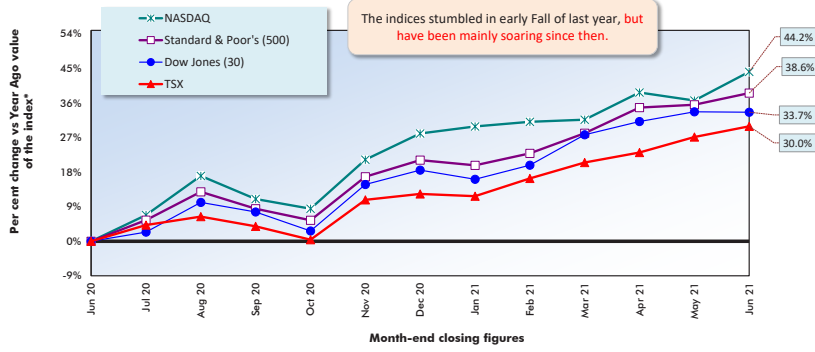
The following gives the y/y (i.e., June 2021 'closing' versus June 2020 'closing') share price results for a representative sample: United Rentals Inc. (URI), +114.0%; Caterpillar Inc. (CAT), +72.0%; Pulte Group Inc. (PHM), +60.4%; Stantec (STN), +44.6%; Armstrong World Industries (AWI), +37.6%; and The Home Depot Inc. (HD), +27.3%.

Note: To view more charts from this article, visit: <https://bit.ly/3zjpRrY>.

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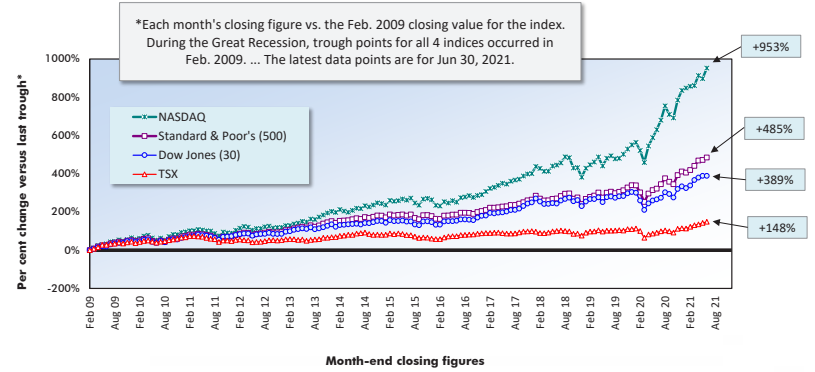
Data Sources: New York Stock Exchange (NYSE), Standard & Poor's (S & P), National Association of Securities Dealers Automated Quotations (NASDAQ), Toronto Stock Exchange (TSE) and Reuters. Charts: ConstructConnect — CanaData.

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



*Each month's closing figure vs. the June 30, 2020 value for the index. Latest data points are for June 30, 2021.

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



As of June 30, 2021 closing values, % increases of key stock market indices since their Feb. 2009 major troughs have been: NASDAQ +953%; S&P 500 +485%; DJI +389%; & TSX +148%. NASDAQ's 12-year climb has been spectacular! Without question, the U.S. economy gains a tremendous advantage from the strength of its high-tech sector.

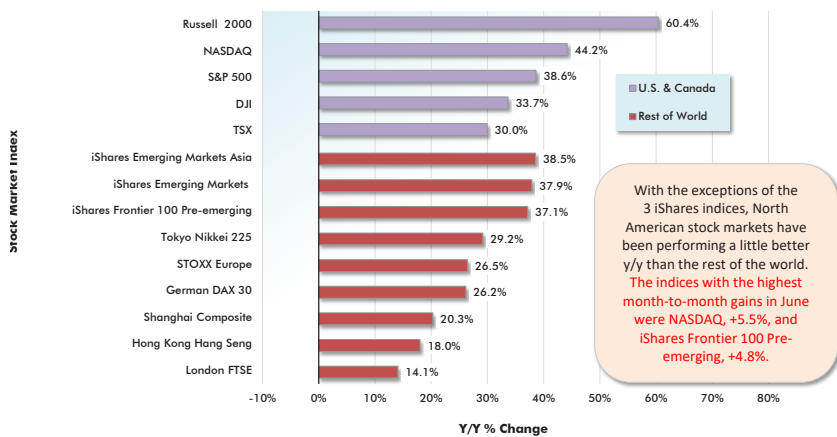
Table 2: Key Domestic & International Stock Market Indices – June 30, 2021

Stock Index:	World leader month over month & year over year:	Month-end Closing Value Jun 30, 2021	Month/ Month	Year/ Year
Dow Jones Industrials (^DJI)		34,503.00	-0.1%	33.7%
S&P 500 (^GSPC)		4,298.00	2.2%	38.6%
NASDAQ (^IXIC)	North America	14,504.00	5.5%	44.2%
Russell 2000 (^RUT)		2,311.00	1.9%	60.4%
Toronto Composite (^GSP TSE)		20,166.00	2.2%	30.0%
London FTSE 100 (^FTSE)		7,038.00	0.2%	14.1%
German DAX 30 (^GDAXI)	Europe	15,531.00	0.7%	26.2%
STOXX Europe (EXSA.DE)		45.02	0.6%	26.5%
Tokyo Nikkei 225 (^N225)		28,792.00	-0.2%	29.2%
Shanghai Composite Index (000001.SS)	Asia	3,591.00	-0.7%	20.3%
Hong Kong Hang Seng (^HSI)		28,828.00	-1.1%	18.0%
iShares MSCI Emerging Markets Asia Index (EEMA)		92.50	0.7%	38.5%
iShares MSCI Emerging Markets Index (EEM)		55.15	1.0%	37.9%
iShares MSCI Frontier 100 ETF for pre-emerging markets (FM)		33.19	4.8%	37.1%

"Ticker symbols" are in brackets. MSCI (formerly Morgan Stanley Capital International) is a leading provider of investment decision support tools, with indices as one 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, June 30, 2021



With the exceptions of the 3 iShares indices, North American stock markets have been performing a little better y/y than the rest of the world. The indices with the highest month-to-month gains in June were NASDAQ, +5.5%, and iShares Frontier 100 Pre-emerging, +4.8%.

iShares is a web site that specializes in "exchange traded funds", or ETFs, managed by BlackRock Investments LLC.

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