Economic highlights from the week ending on April 23, 2021

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Optimism regarding the economic outlook is quite strong, with the consensus forecast calling for 6.3% GDP growth this year, and the majority of economic data continue to surprise to the upside. Overall, we believe the data remains indicative of accelerating economic growth. The Conference Board's Leading Economic Index (LEI) jumped 1.3% month-over-month in March (much higher than the 0.6% consensus forecast), following a 0.1% decline in February. On a year-over-year basis, the LEI was up 7.9% in March versus down 1.5% in February. This is the first time the index has been positive on a year-over-year basis since the pandemic started, as comparisons have eased. According to the Conference Board, the index suggests that economic momentum is increasing in the near-term, with widespread gains across all ten index components. Meanwhile, the Chicago Fed National Activity Index (CFNAI) increased to +1.71 in March (well ahead of the 0.58 consensus forecast) from -1.20 in February. On a 3-month moving average basis, the CFNAI jumped to +0.54 in March from +0.07 in February, pointing to above-trend economic growth.

Weekly initial jobless claims dropped by 39,000 in the latest week to 547,000. Continuing jobless claims (which are reported on a one-week lagged basis) declined for the fourteenth consecutive week to 3.674 million versus 3.708 million in the prior week. Continuing jobless claims are at their lowest level since March of last year. We believe continued positive momentum in the labor market, driven in part by ongoing progress with vaccinations, will remain a strong tailwind for the economy this year.

We are still in the early stages of first quarter corporate earnings season, as only a quarter of S&P 500 companies have reported so far, but results are off to a strong start. Results on both the top and bottom lines have been overwhelmingly positive, and the aggregate magnitude of the earnings beat has been strong, even as expectations heading into corporate earnings season were elevated. Notably, some companies have announced plans to raise prices this year, to help offset higher input costs.

We have continued to see a modest retreat in longer-term Treasury yields. The US 10-year Treasury yield has declined about 18 basis points since March 31, 2021 to about 1.56% (at the time of this report). Nevertheless, we believe the Treasury yield curve is poised to modestly steepen further as the year progresses, which would be consistent with an improving economic outlook, more widespread vaccine distribution, the anticipation of ongoing fiscal spending, and a moderate pick-up in inflation.

Next Week

Durable Goods, Case-Shiller HPI, FHFA HPI, Consumer Confidence, GDP, Personal Income & Outlays, Consumer Sentiment