

OBSERVATIONS

- COVID-19: At 35%, the U.S. ranks 4th globally in terms of percent of population fully vaccinated. Israel, Chile, and Bahrain rank ahead of the U.S. with 56%, 38%, 36% of their populations vaccinated, respectively.¹
 - India continues to struggle, accounting for 50% of global cases and 30% of global deaths last week.²
- Semiconductor stocks reach correction territory last week, the Philadelphia Semiconductor Index has declined -13.7% after reaching its peak on 5-April through 12-May.³
- China released its decennial census results showing the country's population growth averaged +.53% per year for the decade ending 2020. That is down from an average of +.57% for the decade ended 2010.⁴
- Equifax noted that consumer credit card balances equaled 18% of available credit – the lowest since the company began tracking the data in 2009.⁵
- Citigroup's Global Earnings Revisions Index reached a record high - exceeding the prior peaks 2018, 2009, and 2004. The index measures analyst upgrades minus downgrades of companies across the globe.¹
- U.S. companies announced share buybacks totaling \$484 billion in the first four months of this year, the highest first four months stretch in at least 20 years. While buyback activity was subdued in 2020, given the pandemic, Goldman Sachs notes that buybacks in 2021 are expected to exceed 2020 by 35%.⁶
- Measures of inflation surged in April, the headline CPI Index showed a 4.2% year-over-year increase, while core-CPI, which excludes volatile food and energy items, rose 3.0%.⁷ These elevated inflation numbers are a function of three things—base effects from last year COVID-19 economic shutdown, supply-chain bottlenecks related to the pandemic, and pent-up demand for select items such as travel.
 - Air-line tickets surged in April rising more than 10% in just the past month, while car & truck-rentals were up over 16%. Demand for used-cars is also strong—use of public transportation such as buses and subways remain depressed—and prices for used cars are up 21% over the past year.

EXPECTATIONS

- Chicago Federal Reserve President Charles Evans noted that in order for him to change his position on current monetary policy, that employment and inflation would need to pick up substantially.⁸
- The VIX Index (a measure of equity market volatility) jumped to 27.6 last week, 2-month highs, amidst a modest pullback in equity markets. Given that the S&P 500 had not experienced a significant setback since October of last year, we would expect this bout of volatility to persist.¹

ONE MORE THOUGHT: Expect Labor Supply to Increase Later in the Year⁹

The labor market data has shown some surprising findings lately. By some measures—headline unemployment rate (6.1%), number of unemployed (9.8 million), participation rate (61.7%), and those working part-time but seeking full-time work (5.2 million)—the US labor market is very weak. However, other gauges of the labor market suggest a much stronger jobs picture such as 8.1 million job postings, voluntary separations (employees changing jobs) 3.7 million, or share of small business owners saying they had no qualified applicants for their job openings (54%).

¹ FT Vaccine Tracker

² CNBC

³ Bloomberg LP

⁴ https://www.theguardian.com/world/2021/may/11/chinas-population-growing-at-slowest-rate-generations-one-child?CMP=oth_b-aplnews_d-1

⁵ https://www.wsj.com/articles/credit-card-debt-keeps-falling-banks-are-on-edge-11620725580?mod=hp_lead_pos3

⁶ <https://www.ft.com/content/d7adb226-e9a6-4cd8-9049-35d55c211ca4>

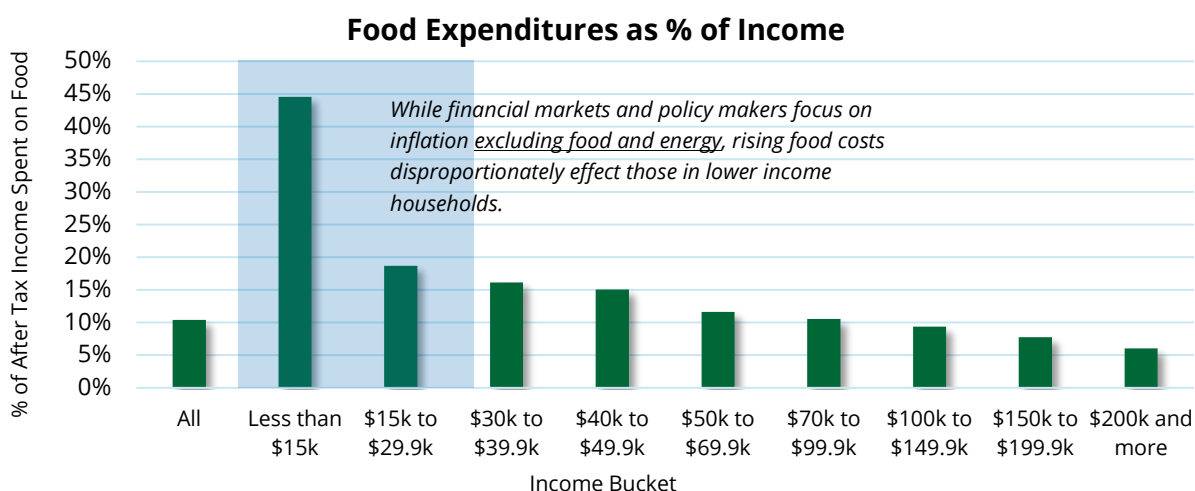
⁷ <https://www.bls.gov/news.release/pdf/cpi.pdf>

⁸ <https://www.cnbc.com/2021/05/10/feds-evans-employment-inflation-need-to-rise-before-policy-changes.html>

⁹ Labor Force Statistics from the Current Population Survey – May-2021; Job Openings and Labor Turnover Survey May-2021

Data from the BLS indicates that at least 1.5 million workers are not seeking a job currently due to concerns over COVID-19. Another nearly quarter-million individuals reported that they want to work, but are not available to work now, which may be related to the lack of in-person schools and day-care—women were disproportionately likely to drop out of the workforce over the past year. Lastly, a significant portion of those that have dropped out of the labor force (about 1 million) and about half of the current unemployed (about 5 million) have not yet returned to the workforce seemingly due to the extension and generosity of unemployment benefits during the pandemic. The good news for those seeking to hire is that COVID-19 cases are trending down, and in-person school is likely to resume in September. Additionally, many states are tightening the standards for unemployment—re-imposing requirements to actively seek employment—and the extra \$300 of weekly unemployment benefits are set to expire in September as well. Taken together, we expect supply of available workers to surge as the summer of 2021 fades.

CHART OF THE WEEK



Source: Clearstead, U.S. Bureau of Labor Statistics Consumer Expenditure Survey Mid-year 2020 update, <https://www.bls.gov/cex/tables/mid-year/mean-item-share-average-standard-error/cu-income-before-taxes-2019-2020.pdf>

As commodity prices continue to increase - particularly crop prices - and companies attempt to pass prices to consumers, the hardest hit tend to be those in lower income brackets. Another point worth noting is that food expenditures 'away from home' accounted for nearly 55% of total food expenditures - ten years ago that number was 50%.¹⁰

Aneet Deshpande, CFA
Chief Strategist
Clearstead

Dan Meges
Managing Director of Equity
Clearstead

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¹⁰ [https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/food-prices-and-spending/#:~:text=In%202019,%20Americans%20spent%20an,from%20home%20\(4.6%20percent\)](https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/food-prices-and-spending/#:~:text=In%202019,%20Americans%20spent%20an,from%20home%20(4.6%20percent))