OBSERVATIONS

- Global junk bond issuance reached $535 billion in the first half of the year, a new half year record. Meanwhile, absolute borrowing costs continue to fall for junk bonds in the U.S., the yield on high yield bonds fell to a new record low 3.75% as of 30-June.[1]
- Bond funds focusing in environmental, social, and governance issues (ESG) garnered nearly $55 billion in flows this year thru 30-May, that compares to $68 billion in all of 2020.[2]
- Microsoft joins Apple in the $2 trillion market capitalization club, the two companies make up over 11% of the S&P 500. Meanwhile Facebook became the fifth company to reach a $1 trillion market cap last week — Facebook, Microsoft, Apple, Alphabet (Google), and Amazon account for 23% of the S&P 500, shy of the peak of 25% the group accounted for back in September 2020.[3]
- First six months of the year sees record deals: Global M&A surpassed 25k deals valued at $2.8 trillion this year to date (as of 30-June), up +130% from the same period last year and the strongest first six months of a year since records began in 1980.[4]
- Jobless claims reach new post-crisis low of 364k in the latest week, with the 4-week moving average also at a new low of 393k.[1]
- Crude oil (West Texas Intermediate) reached $75/bbl last week, the highest since October 2018.[1]
- After being slowed by regulatory challenges, trading app Robinhood's much anticipated Initial Public Offering could take place over the summer. The company has been valued at nearly $12 billion based on most recent fundraising. The company is setting aside up to 35% of its equity offering for its users.[5]
- Total non-farm payroll employment increased by 850k in June — better than expectations of 720k — and the unemployment rate was little changed at 5.9%. As with prior months, employment in leisure and hospitality (343k jobs) contributed significantly to June's employment.[1]

EXPECTATIONS

- The Organization for Economic Cooperation and Development (OECD) said that 130 countries representing 90% of global GDP now back a 15% minimum corporate income tax rate.[1]
- Significant expectations gap means level setting long-term expectations. The 2021 Natixis Global Survey of Individual Investors showed that, compared to other regions, U.S. individual investors have the highest long-term investment return expectations with a return expectation of 17.5%! That contrasts with financial professional expectations, also from the survey, of 6.7%.[6]
- Following last week's move by the Federal Reserve to remove capital distribution caps for U.S. banks, European banks may also see caps on dividends and buybacks lifted by the end of September assuming economic conditions do not deteriorate, according to European Central Bank President Christine Lagarde.[1]

ONE MORE THOUGHT:[7] *A good year in six months…*

The first six months of the year rewarded investors with returns that we viewed as being reasonable expectations for the entire year. Equity markets reached new highs with the S&P 500 experiencing its 2nd best first-half of the

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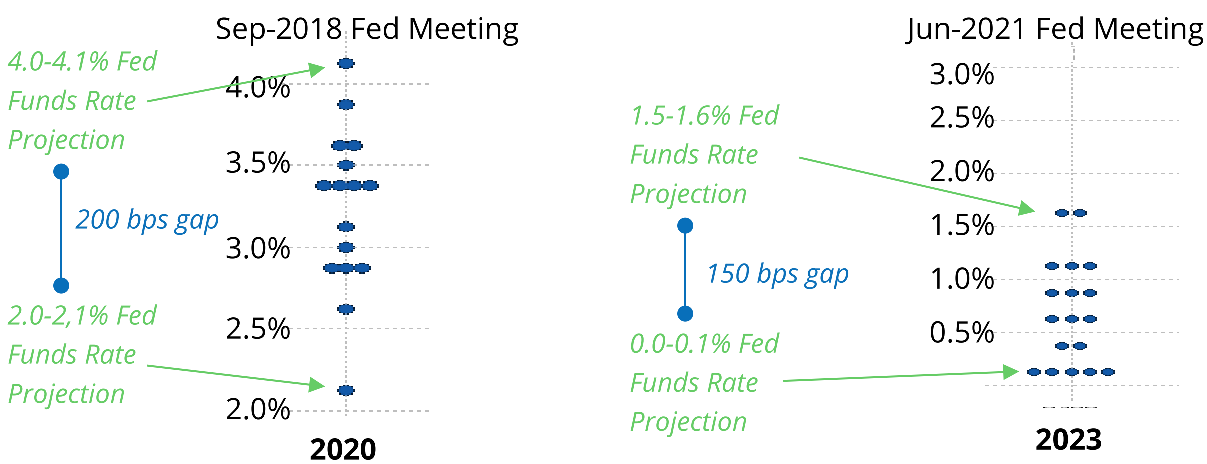
[1] Bloomberg LP
[2] https://www.ft.com/content/af62e245-a136-40c1-b53d-89795b507d45
[3] Bloomberg LP, as of 28-June
[4] https://www.ft.com/content/cd9571a3-726c-4995-9954-23a8dcf12b19
[5] https://www.etftrends.com/crypto-channel/robinhoods-ipo-review-slowed-down-at-the-sec/, WSJ
[6] https://www.im.natixis.com/us/resources/2021-natixis-global-survey-of-individual-investors-executive-overview, 8,550 global respondents with minimum net investable assets of $100k
[7] Clearstead, Bloomberg LP, Factset Earnings Insight, data as of 30-June

year since 1998 and 10th best since 1978 after gaining +15.2% this year through 30-June. Meanwhile small cap stocks (Russell 2000 Index) returned +17.5% this year through 30-June — their best first-half of the year since 2003 and 8th best since 1978. While equity markets were rewarded as corporate profits are now expected to grow +35% this year as compared to 2020, most fixed income markets suffered as interest rates were generally on the rise during the first six months of this year. The bond market (Bloomberg Barclays Aggregate Bond Index) has lost -1.6% this year through 30-June, the index's 5th worst first-half of the year since 1978. The net effect of the prior observations was that large cap stocks (S&P 500) outperformed bonds (Bloomberg Barclays Aggregate Bond Index) by nearly +17.0% over the year's first six months, the most since 1997 and the 4th largest outperformance since 1978. What's in store for the second-half of the year will ultimately depend on a variety of factors for both equity and fixed income markets. Though, we can comfortably say that it will likely not be as easy as the first half of this year for equities as headwinds gather and we would urge investors to be prepared for increasing volatility in both fixed income and equity markets.

CHART OF THE WEEK

Implied Fed Funds Rate (3rd Year Projection)



Source: Clearstead, US Federal Reserve

The amount of dispersion in Fed officials' projections for Feds Fund Rate for the third year out has reached a three-year high. Not since September of 2018—amidst the US trade war with China—have Fed Governors had such divergence of views as to the projected level of interest rates 3-years in the future.

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