

OBSERVATIONS

- The 10-yr treasury yield declined 0.28% over the 30-day period ended 20-July, the most significant decline in the 10-yr treasury yield over a 30-day period since April 2020.¹
- The National Bureau of Economic Research ([NBER](#)) Business Cycle Dating Committee has given the COVID recession an official end. The organization notes that the recession that started in February 2020 officially ended in April 2020, lasting 2 months—the shortest recession since records began, see chart of the week.²
- Biotechnology company Moderna gained inclusion into the S&P 500 index last Wednesday. Moderna has gained more than 900% since the March lows of 2020 through to its inclusion into the S&P 500 and now has a market capitalization of nearly \$140bn.¹
- The US Census Bureau announced that June new residential housing starts were running at an annualized rate of 1.643 million starts. This is an increase in the rate of home building from the revised May number of 1.546 million annualized starts, and an increase of 29.1% from June-2020. Over the past 12 months more than 1.1 million homes have been started—the highest level since before the GFC in 2008.³
- Thirteen percent of surveyed Americans, with an average age of 38 years, reported trading cryptocurrencies over the last twelve months. That compares to twenty-four percent of survey respondents, with an average age of 47 years, who reported trading stocks over the same period.⁴
- The European Central Bank met last week and re-emphasized it would persist in its accommodative monetary policy—buying bonds and maintaining negative interest rates—in order to meet its inflation target. It also noted that it was prepared to tolerate a moderate and transient overshoot of its inflation target of 2.0% giving the ECB more leeway before tightening policy even as Europe’s economy improves.⁵
- After losing -1.59% last Monday (5th worst day this year), the S&P 500 regained those losses and ended the week up +1.97% to close at a new record high as investors pivoted from fears relating to spread of the Delta COVID variant to focus on the upbeat corporate earnings season (see Expectations).¹

EXPECTATIONS

- Big earnings week: On deck for this week, 180 S&P 500 companies report earnings including tech giants Microsoft, Facebook, Apple, Alphabet (Google), Tesla, and Amazon. Meanwhile, 24% of S&P 500 companies have reported Q2 earnings so far with 88% beating earnings expectations.^{1,6}
- The Architectural Billings Index remained at an elevated level of 57.1 in June—any score above 50 indicates an increase in architectural billings. The AIA Architectural Billings index is a leading indicator of nonresidential construction and based on the current reading, the AIA is expecting a sharp upturn in nonresidential building activity later this year and into 2022.⁷

ONE MORE THOUGHT⁸: *Cryptocurrency oversight likely to gain steam in coming months*

Last week, representatives from U.S. regulatory agencies joined the President’s Working Group on Financial Markets (PWG). The group included attendees from the Federal Reserve, Securities and Exchange Commission, Commodity Futures Trading Commission, U.S. Treasury, Office of the Comptroller of the Currency, and the Federal Deposit

¹ Bloomberg LP

² US Business Cycle Expansions and Contractions | NBER

³ US Census Bureau – Monthly New Residential Construction – June 2021

⁴ NORC.org, University of Chicago, 22- July

⁵ <https://www.ft.com/content/b329cbe7-1d93-41f5-8812-297f0e03de58>

⁶ Factset Earnings Insight as of 23-July, Bloomberg LP

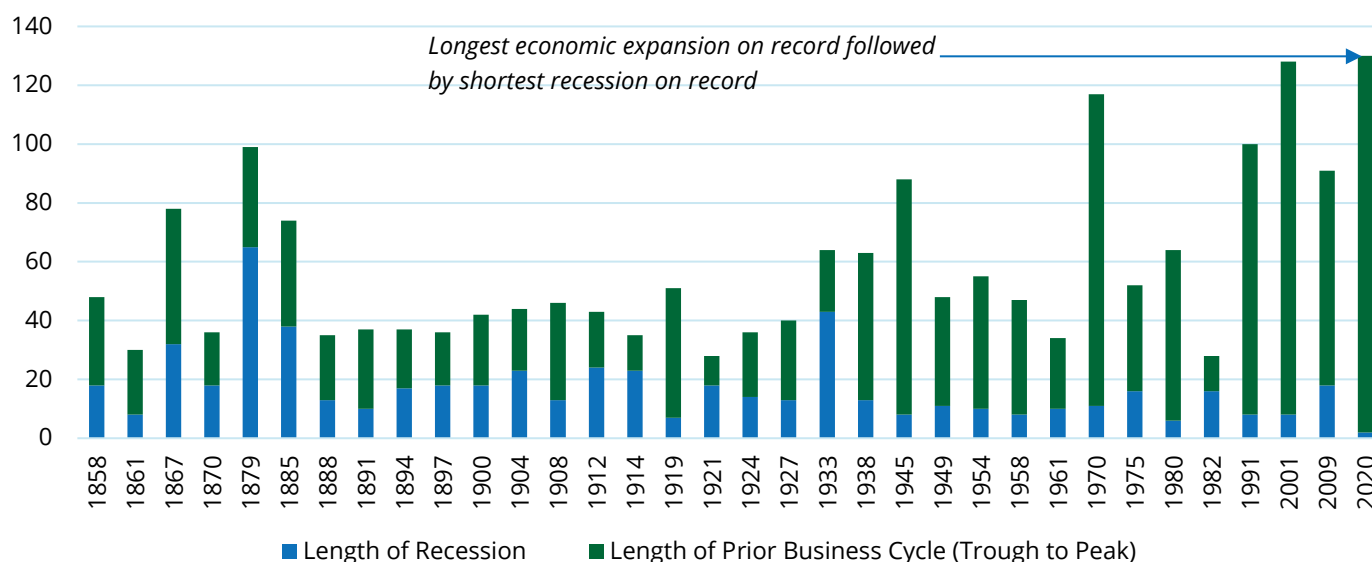
⁷ <https://www.aia.org/press-releases/6418255-architecture-billings-index-robust-growth->

⁸ US Treasury, Financial Times

Insurance Corporation. The discussion was focused on so called stablecoins and their rapid growth, potential use, and potential risks. Stablecoins (e.g., USD Coin or Tether) are a class of cryptocurrency that aim to provide price stability by pegging their value to an asset or currency – such as Gold or the U.S. Dollar. – and are backed by a reserve asset. Recent disclosures by Tether (Tether is among the largest holders of commercial paper as part of its reserve program) highlight the enormity and increasingly systemic importance of certain stablecoins as it relates to capital markets and ultimately their functioning. At the PWG meeting Treasury Secretary Janet Yellen “underscored the need to act quickly to ensure there is an appropriate US regulatory framework in place.” Recommendations from the PWG are expected in coming months and are likely to be centered on stablecoins first, with other crypto assets (such as Bitcoin) to follow.

CHART OF THE WEEK

U.S. Business Cycles



Source: Clearstead, National Bureau of Economic Research, as of 25-July

The business cycle that began in March 2009, following the financial crisis, lasted 128 months until the COVID induced recession, the longest expansion in U.S. history. According to the National Bureau of Economic Research, the ensuing recession lasted only two months, the shortest recession on record. In the post-war era (1945-present), economic expansions have averaged 64 months with a 10-month average length of recession.

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