

OBSERVATIONS

- Pfizer and BioNTech vaccine receives full approval from the FDA, making it the first covid vaccine to move off emergency use authorization. The approval applies for people 16 and older and remains under emergency use approval for ages 12-15.¹
- Sales of new homes rose +1% in July, the first increase in four months. The U.S. Census Bureau report also showed the median price of a new home jumping to a fresh record \$390,500, nearly 19% higher than this time last year.¹
- Lumber has now declined over -70% since peaking on 7-May at nearly \$1,700 (per thousand board feet). Luxury homebuilder Toll Brothers noted that the lumber price declines equate to \$40,000 in less cost for their homes.²
- Borrowing balances to buy stocks in brokerage accounts declined by 4% in July from June — the first MoM decline in leverage since March of 2020.³
- The Bureau of Economic Analysis revised upwards its estimate of Q2 GDP to a 6.6% annualized rate, in part due to increased estimates of non-residential fixed investment. This initial estimate was 6.3%; a third and final estimate is due by 30-September.⁴
- Foreign investors piled over \$40 billion into Chinese A-shares (locally traded equities) YTD and the share of foreign ownership on the two primary local Chinese exchanges (Shanghai and Shenzhen) hit a record high.⁵

EXPECTATIONS

- South Korea becomes the first major Asian economy to lift interest rates as the country's central bank "focuses on reducing financial imbalances" noting that financial risks outweigh the most recent virus outbreak.¹
- Expectations for August vehicle sales remains depressed as Wards Auto Intelligence, a leading industry consultancy, latest data suggests only 14.1 million vehicles sold in August, which was 4% below last month's sales and 7.5% below sales from August-2020.⁶
- Bulk shipping rates for transoceanic shipping have hit decade highs. The Baltic Exchange Dry Index, a measure of moving major raw materials by sea, topped 4,200 last week—higher than any other reading since August-2008—this index peaked in the summer before the GFC. Increased retail consumption of durable goods—as opposed to services—along with Covid-related disruptions at numerous ports, particularly in Asia, have pushed up prices over 200% since the beginning of the year. Most analysts expect these high transoceanic shipping prices to persist throughout this year and into early 2022.⁷

ONE MORE THOUGHT: *Jackson Hole Economic Symposium—No Surprises*

Fed Chairman Jerome Powell's Jackson Hole speech last week has loomed large over the US economy since it began to recover in earnest in Q2 of this year. In particular, global equity and debt markets were looking for concrete signs as to how US Federal Reserve monetary policy would evolve over the next 18 months. Powell, for his part, noted in his speech that the US economy has seen "clear progress" towards a stronger labor market since the

¹ Bloomberg LP

² Bloomberg LP, CNBC

³ <https://www.finra.org/investors/learn-to-invest/advanced-investing/margin-statistics>

⁴ <https://www.bea.gov/news/2021/gross-domestic-product-2nd-quarter-2021-second-estimate-corporate-profits-2nd-quarter>

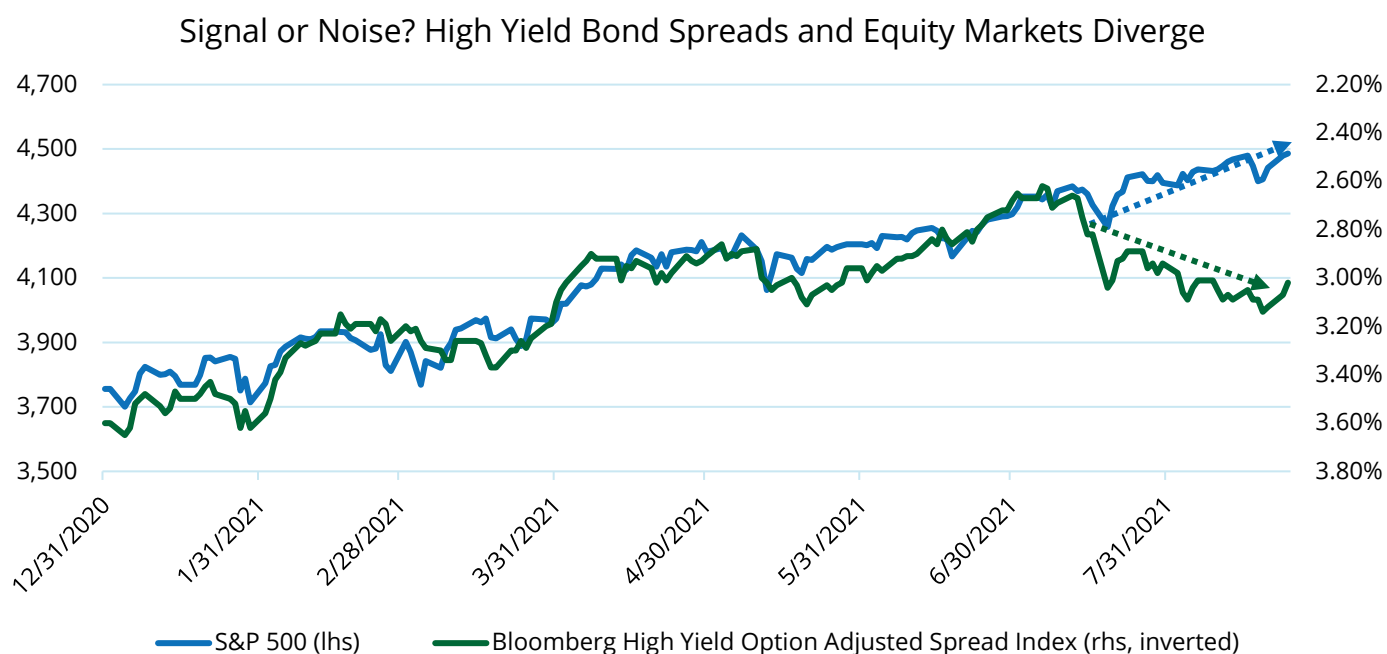
⁵ <https://chinalastnight.com/2021/08/27/foreign-ownership-of-a-shares-reaches-all-time-high-week-in-review/>

⁶ <https://wardsintelligence.informa.com/WI965917/August-US-LightVehicle-Sales-to-Continue-Downward-Spiral>

⁷ Bloomberg LP, S&P Global "Container ship long-term charter rates climb to record highs amid vessel shortage" Aug-2021

Spring and that the economy has improved in 2021 broadly as anticipated. His speech further signaled that the Fed is likely to provide advance notice of the Fed's intent to taper its purchases of debt securities during its meeting in September while likely formally announcing the policy in November for implementation before the end of this year. Equally, however, Powell reassured markets that any actual rate increase from the Fed was still a long way off. Noting that "the timing and pace of the coming reduction in asset purchases will not be intended to carry a direct signal regarding the timing of interest rate liftoff."

CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, daily data as of 25-Aug

In recent weeks credit spreads (amount over risk free treasuries which investors require) for the riskiest corporate debt has increased, seemingly commensurate with fears of the delta variant impacting certain industries. In contrast, the S&P 500, which had previously been correlated with these spreads, has continued along its upward trajectory. We do not view this divergence as a fundamental concern over the economy given that these spreads remain very low, though would add this to the mounting evidence of technical factors that may be foreshadowing bumps ahead for stocks.

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