

OBSERVATIONS

- Aluminum reaches 10-year highs amidst supply disruptions in China — responsible for nearly 60% of global aluminum output. The industry has come under scrutiny by Beijing as China attempts a crackdown on pollution.¹
- Small cap growth or Apple? Apple closes above the \$2.5 trillion market capitalization last week – the latest milestone for big tech. The mark gives Apple a larger capitalization than the entire small cap growth index (Russell 2000 Growth).¹
- Institute for Supply Management (ISM) Manufacturing Index rose to 59.9 in August, slightly higher than July's reading of 59.5 and better than expectations of 58.5.¹
- Meanwhile, Caixin/IHS-Markit reported that the manufacturing PMI in China fell to 49.2 in August and its services PMI fell to 46.7—both the weakest readings since early 2020, in part, due to recent flooding.²
- Consumer confidence (Conference Board Consumer Confidence) dips to 5-month lows, driven primarily by COVID variant fears.¹
- Construction spending during July was estimated at a seasonally adjusted annual rate to be 0.3 percent above the revised June figure and 9.0% above the July-2020 figure, driven primarily by a strong increase in new home construction.³
- Reis, a division of Moody Analytics, reported the office vacancy rate was at 18.5% in Q2, up from 18.2% in Q1, as well as from the 17.1% vacancy level recorded in Q2 2020—these are the highest vacancy rate for offices since the early '90s following the Savings and Loan crisis.⁴
- General Motors plans to idle all assembly plant except four starting Monday 6-September due to shortages of semi-conductor chips. The assembly stoppages are expected to vary between the plants to last between 1-week to 3-weeks.⁵
- The US added 235,000 jobs in August, well below consensus estimates of 730,000, as the increase in Delta wave Covid cases has slowed hiring. The labor force participation rate was unchanged from last month suggesting hesitancy of some unemployed to move back into the workforce amid rising Covid cases.

EXPECTATIONS

- The Office of Management and Budget (OMB) increased its inflation forecast for the fourth quarter of 2021 to 4.8%, while the OMB has inflation declining to 2.5% and 2.3% in 2022 and 2023, respectively.⁶
- Inflation reaches 10-year highs of 3.0% in the Euro-area, some European Central Bank officials have noted the need for debate on how to phase out the pandemic era support that continues today.¹
- The recent supreme court rejection of the Biden administration's attempt to extend eviction moratoriums under the reliance of the CDC could result in 750k households facing eviction later this year. This unless Congress acts, or the rental assistance funds provided by the Cares Act are more quickly distributed.⁷

ONE MORE THOUGHT – S&P 500 Grinding Higher⁸

¹ Bloomberg LP

² <https://www.markiteconomics.com/Public/Home/PressRelease/93c05fffcc3d4a049560c577f642f270>

³ <https://www.census.gov/construction/c30/pdf/release.pdf>

⁴ <https://www.reis.com/insights/cre-trends/q2-2021-preliminary-trend-announcement/>

⁵ <https://www.freep.com/story/money/cars/general-motors/2021/09/02/gm-semiconductor-chip-shortage-assembly-plants-close/5694047001/>

⁶ <https://www.wsj.com/articles/white-house-more-than-doubles-its-inflation-forecast-in-new-update-11630085695>

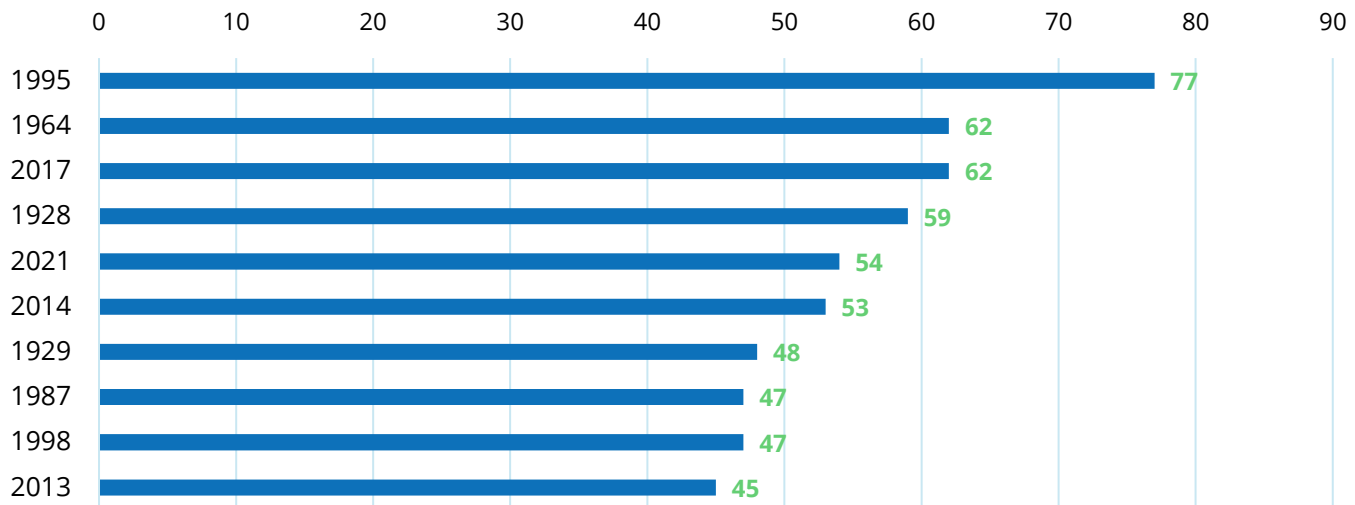
⁷ Bloomberg LP, Goldman Sachs, <https://www.axios.com/supreme-court-biden-eviction-ban-5c5ba46a-7ceb-4ce1-b21b-2b1da7111e7c.html>

⁸ Bloomberg LP

The S&P 500 closed at a new record high on Thursday, September 2, 2021. It was the 54th record high close this year—see Chart of the Week. The S&P 500 has now gone over 210 trading days without a 5% drawdown. Typically, the S&P 500 experiences these types of drawdowns every 92 trading days on average (see [RC Note 9-Aug](#)). There are only eight other instances since 1957 where the S&P 500 has gone over 200 trading days without such a drawdown. Year-to-date (2-Sep) the S&P 500 has returned nearly 22%. This is truly an impressive market run. US equities are being supported by unprecedented fiscal and monetary measures and corporate profits that are sharply rebounding from last year's decline. This impressive streak for the S&P 500 will be increasingly tested in the final months of the year as the pace of deceleration in the US economy, as well as corporate profits, becomes clearer and any Biden Administration tax increases come to their final votes. However, for the long-term investor a short-run drawdown of 5% can set the stage for a new period of stable market gains. We counsel our clients to remain patient, rebalance per your longstanding goals and investment objectives, and stay focused on the long-run.

CHART OF THE WEEK

S&P 500: Number of Record Closing Highs



Source: S&P Dow Jones Indices, Bloomberg as of the market close on 2-Sep-2021.

The S&P 500 Index has already recorded 54 record high closes in 2021—nearly 1 out of every 3 trading days has seen a record close YTD—ranking this year the fifth highest in terms of record closes in nearly the last 100 years.

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