PEAPACK PRIVATE
Wealth Management

The Weekly
Economic & Market Recap

July 23, 2021

7/23/2021		Wk Net	Wk %	Div	YTD %	12 Mos %
STOCKS	Close	Change	Change	Yield	Change	Change
DJIA	35,061.55	373.70	1.08	1.72	14.56	31.55
S&P 500	4,411.79	84.63	1.96	1.32	17.46	36.35
NASDAQ	14,836.99	409.75	2.84	0.63	15.12	41.83
S&P MidCap 400	2,672.74	55.78	2.13	1.30	15.87	43.34

TREASURIES	Yield	**FOREX**	Price	Wk %Change
2-Year	0.20	Euro/Dollar	1.18	-0.40
5-Year	0.72	Dollar/Yen	110.57	0.42
10-Year	1.28	GBP/Dollar	1.38	-0.29
30-Year	1.92	Dollar/Cad	1.26	-0.09

Source: Bloomberg/FactSet

What Caught Our Eye This Week

A London-based entrepreneur will auction Steve Jobs' 1973 job application this week. The auction and the item's market value (it sold for $224,000 in March 2021, an increase of 28.2% from 2018 and almost 12 times as much as its price in 2017) will be noteworthy. Equally interesting will be the difference in perceived value between the physical and digital worlds. The form Jobs supposedly completed for an unspecified position at an unspecified company will be available to buy either as an authenticated physical good or in digital form as a non-fungible token (NFT). An NFT is a unique digital identifier that cannot be copied, substituted, or subdivided, is recorded in a blockchain, and is used to certify authenticity and ownership (of a specific digital asset and specific rights relating to it). "Non-fungible" means the good or asset is owned and not able to be readily interchanged for another of like kind and "token" is the digital ownership certificate. This generally occurs through a blockchain, a digital transaction ledger that serves as a system of record for information in a way that makes changing, hacking, or cheating difficult or impossible. The auction is also a sign of further interest by some people in NFTs, which have become a sensation as individuals have paid staggering sums for them over the past few months.

Economy

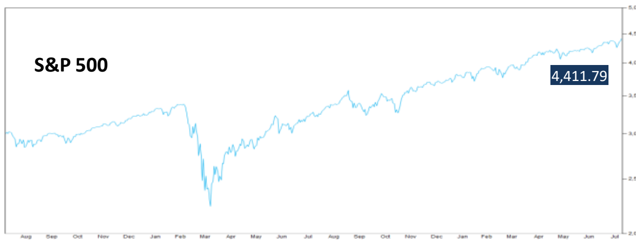
It was an uneventful week for economic data with only three reports being released. First on Tuesday monthly housing starts increased 6.3% to 1.643 million units at an annual rate in June. These figures were ahead of expectations and over the past twelve months housing starts have surged 29.1%. Total permits declined 5.1% as single family permits dropped 6.3%, suggesting that the frenzy in the single family housing market earlier this year is continuing to cool. Single family starts increased 6.3% and are now up 28.5% year-over-year. On Thursday, existing home sales came in short of expectations, rising 1.4% to 5.86 million units at an annual rate. This gain reverses four straight months of declines. Existing home sales are now up 22.9% over the past twelve months, but are still well below their October peak of 6.7 million. The median sales price of an existing home sold is now at $363,300, an annual increase of 23.4%. Finally, on Thursday, weekly jobless claims increased 51,000 to 419,000 during the week ending July 17th. The four-week moving average is now at 385,250.

Fixed Income/Credit Market

On Tuesday the 10-year U.S. Treasury Note yield hit a one-year intraday low of approximately 1.12% before a modest back up moved the tenor back above 1.25%. Next week all eyes will be on the FOMC meeting to glean if the recent U.S. Treasury rally will change the Fed's timing on quantitative easing. The consensus is that recent price action will not alter Fed policy. However, the Treasury curve is facing a series of headwinds next week that could put downward pressure on yields – no long-term supply issuance and demand for month-end duration extension. Still, the biggest risk lies with the Fed's interpretation of inflation. A dovish FOMC would indicate the committee interprets currently elevated inflation as transitory which leaves the direction of long-term yields a wildcard. Would an extended period of "transitory" inflation push 10Y and 30Y yields lower or would the Fed's commitment to its new framework assure investors that tightening is still years away which could steepen the curve?

Equities

On Monday, as a result of intense fears over the new Covid-19 Delta variant, stocks sold off sharply in what was the market's worst performance since October. On the day, the Dow lost -2.09%, the S&P 500 -1.59%, and the Nasdaq -1.06%. Investors tried to assess the Delta variant's potential impact on global economies and the reopening effort. The narrative shifted on Tuesday, however, and stayed positive for the remainder of the week. Bolstered by strong earnings and a "buy-the-dip" mantra, all major indices recouped their losses from Monday and finished the week with gains. Closing out with weekly gains of 1.08%, 1.96%, and 2.84%, respectively, the Dow, S&P 500, and Nasdaq set new record highs after a strong rally on Friday. It was also the first time the Dow closed above 35,000 points. The rebound from Monday's selloff is a testament to how resilient the market has been since 2020's March low. Despite the potentially negative effects of inflation, lofty valuations, and the new Delta variant, investors still find equities a relatively attractive investment. On the week, communications services was the top performing sector, while utilities lagged.



Our View

Risk assets started the week on a volatile note as fears of the growing wave of infections caused by the Delta variant negatively impacted equity markets around the world. Moreover, data from the U.K. has recently noted that a sizable portion of the people contracting the virus at this point are fully or partially vaccinated. But there is room for optimism as the U.K. data also showed that even though vaccinated individuals are vulnerable to the Delta variant, their risk of hospitalization is dramatically reduced as their symptoms tend to be much less severe. The U.K. experienced a third wave of Covid-19 infections in mid-May but there has not been a significant increase in hospitalizations or deaths due to the country's high vaccination rate (over 50% of the population has been fully vaccinated), which adds credence to the idea that vaccinations are breaking the connection between virus cases, hospitalizations and mortality. Moreover, governments of countries with high vaccination rates will be less inclined to put restrictions on economic activity that could unhinge recoveries. Therefore, emerging market economies pose an elevated risk as vaccination rates remain low and rollouts are progressing at a slower pace. But decisions to lockdown certain areas due to a resurgence in cases will be region specific as many individuals are now enjoying their newfound freedoms and learning to live in socially distant manners until herd immunity can be established. Here in the U.S., cases are spiking and the Delta variant is accounting for a vast majority of the new infections. The states with the lowest vaccination rates tend to be smaller in population and account for a limited size of overall GDP. Unfortunately, Covid-19 is not behind us and may not be for the foreseeable future, but thanks to the tremendous achievements of the medical community in developing highly effective vaccines, the economic and market impacts of the virus will be more manageable than what we have experienced in the past.

COMING UP NEXT WEEK		Consensus	Prior
07/26 New Home Sales SAAR	(Jun)	800.0K	769.0K
07/27 Durable Orders SA M/M (Preliminary)	(Jun)	2.1%	2.3%
07/27 Consumer Confidence	(Jul)	124.0	127.3
07/29 GDP SAAR Q/Q (First Preliminary)	(Q2)	9.1%	6.4%
07/30 Personal Consumption Expenditure SA M/M	(Jun)	0.65%	0.0%
07/30 Personal Income SA M/M	(Jun)	-0.60%	-2.0%
07/30 Michigan Sentiment NSA (Final)	(Jul)	80.8	80.8

For more information about our solutions: http://peapackprivate.com