

OBSERVATIONS

- COVID-19: Twelve states now have 70% of resident adults with at least one vaccine shot. The U.S. averaged 15.6k new cases per day last week, the lowest official case count since the pandemic began and compares to peak average daily cases of over 250k at the peak of the pandemic in January 2021.¹
- “Quietest” May in nearly two decades: the S&P 500’s +0.6% price change in May was the smallest absolute change for the month of May since 2002.²
- Small caps (Russell 2000 Index) achieve a record 8th straight month of gains in May (+0.2%), the longest win streak since 1995 and have posted monthly gains in 13 of the 14 months since March of 2020.²
- Oil reaches new highs, as West Texas Intermediate reaches \$69.62/bbl while Brent crude reached \$71.89/bbl as of 4-June — the highest since October 2018 and May 2019, respectively.²
- Import reliant and poor nations are the most impacted as global food prices have now risen to the highest in nearly a decade, though still almost 8% below the all-time high which occurred in February 2011.²
- Signs of housing cooling? Declines in new purchase and refinance mortgage activity, for the week ended 28-May, dropped total mortgage volume to its lowest point in 15 months.³
- The services sector of the economy reached a new record high in May - eclipsing the previous record high reached in March.²
- Nonfarm employment rose by 559k in May and the unemployment rate dropped to 5.8%. Leisure and hospitality represented over half (292k) of total jobs gained (*see One More Thought*).⁴
- Inflation remains relatively subdued in the Euro area. Inflation reached +2.0% on a YoY basis in May, though after excluding the impact of food and energy, core inflation registered a gain of +0.9% YoY.²
- Mexico held elections for its 500 seat National Assembly—equivalent to the U.S. House of Representatives—and the MORENA party of current Mexican President Andres Manuel Lopez Obrador lost a few seats but can still pass legislation with the help of other left-of center parties.

EXPECTATIONS

- Interest rates remain rangebound as the 10-yr U.S. Treasury yield now sits at 1.56%, as of 4-June. Since breaking above 1.50% in early March, the 10-yr yield has bounced around between 1.50% and 1.75% - a trend that is likely to continue for the near term.²
- The Put-Call ratio (ratio of bearish bets to bullish bets) reached the lowest level since 2011 last week,² pointing towards market expectations for a lull in volatility and perhaps an exceedingly complacent posturing by market participants.
- The Federal Reserve will begin selling corporate bonds and ETFs that were acquired as part of the capital market stabilization facilities launched in March 2020. The sparsely used Secondary Market Corporate Credit Facility (SMCCF) reached \$14bn of \$750bn of available capital and will be liquidated by year end.⁵

ONE MORE THOUGHT⁶: *Vaccination rates drive Memorial weekend activity and other highlights*

At present, 136 million Americans are fully vaccinated (as of 2-June) and another 32 million have received at least one-dose. The U.S. should approach herd immunity when approximately 200 million Americans are fully vaccinated

¹ <https://covid.cdc.gov/covid-data-tracker/#datatracker-home>, https://covid.cdc.gov/covid-data-tracker/#trends_dailytrendscases

² Bloomberg LP

³ <https://www.nationalmortgagenews.com/news/mortgage-activity-drops-to-lowest-point-in-over-a-year>

⁴ <https://www.bls.gov/news.release/empst.nr0.htm>

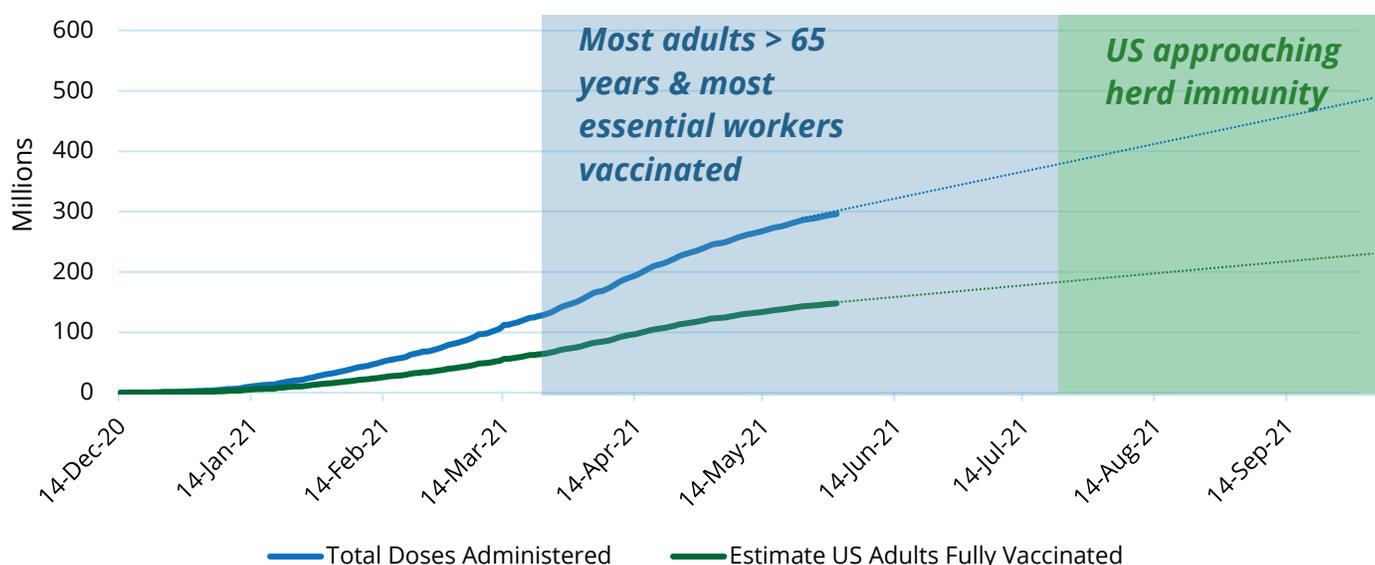
⁵ FT, <https://www.federalreserve.gov/publications/files/pdcf-mmlf-cpff-pmccf-smccf-talf-mlf-ppplf-msnlf-mself-msplf-nonlf-noelf-05-10-21.pdf#page=4>

⁶ CNBC.com, Bloomberg LP, TSA.gov, Clearstead

(chart of the week) —which would be about 75% of the U.S. population over 16-years of age. Recent days have highlighted the ongoing recovery in the economy, particularly the travel and leisure sectors. North American movie ticket sales grossed \$100 million over Memorial weekend, still well below the \$232 million from the same weekend in 2019. This comes as a number of blockbuster movies are slated for release in the coming months and ticket sales are expected to continue to normalize. Hilton’s CEO noted the hotel chain was nearly 93% occupied on the Saturday of Memorial weekend and noted that summer bookings “are surging past what the company’s bookings were in 2019.” Meanwhile, TSA passenger screenings averaged 1.78 million per day over the holiday weekend, six times a year ago – though down 22% from May 2019. Cirque du Soleil notes that ticket sales are double digit higher than before the pandemic and the company plans to rehire nearly all of its artists back. While all good signals, the continued path to recovery in the travel and leisure segments has a way to go and is likely governed by vaccination trends, employment, and income – all of which are interrelated.

CHART OF THE WEEK

Covid-19 Vaccination Trends



Source: Clearstead, CDC, as of 4-June

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