

OBSERVATIONS

- Visa noted that payments using cryptocurrency linked cards reached \$1 billion in the first half of 2021, from essentially zero this time last year, though only representing .02% of Visa's \$5 trillion in first half payment volumes. Meanwhile Mastercard research shows that 93% of Americans plan to use emerging payment technology (e.g., cryptocurrency, biometrics, QR code, and contactless payments) in the next year.^{1,2}
- Housing normalization? Mortgage application activity (refinance and new purchase) declined -1.8% from the week prior and overall volumes are now back to levels last seen in early 2020.³
- The services sector activity slowed (index reading of 60.1) in June following an all-time high in May (index reading of 64.0) according to the Institute for Supply Management (ISM) Services Index. Notable comments from the ISM survey indicate continued reopening gains balanced with continued supply constraints and labor shortages.
- The 10-Yr U.S. Treasury breaks below its four-month range of 1.40% and 1.75%, reaching 1.29% last week.¹
- U.S. Center for Disease Control notes the delta variant of Covid-19 represents more than 50% of new cases, becoming the predominant strain in the U.S. — in the Midwest, the variant is tied to 80% of new cases.¹
- The \$4 trillion municipal bond market gets a boost as S&P Global Ratings raised the outlook on over \$400 billion of muni bonds so far this year amidst an improving fundamental backdrop (including federal aid).¹
- Initial jobless claims moderate below 400k, with the most recent reading at 373k — slightly more than expected (350k). Important to note that 14.2 million Americans continue to receive some form of unemployment insurance benefit, that contrasts with 33.2 million people one year ago.⁴

EXPECTATIONS

- New forecasts from the European Commission suggest the European Union (EU) could grow by 4.8% in 2021, meaning GDP for the EU could reach pre pandemic levels in the fourth quarter.⁵
- China makes surprise policy move as the country's central bank is set to cut reserve requirements for banks, noting that "cuts in the required reserve ratio and other policy tools will be introduced as appropriate, to intensify financial support for the real economy...."⁶
- Earnings season kicks off with 26 S&P 500 companies scheduled to report Q2 financial results this week. Overall, S&P 500 companies are expected to post earnings per share growth of +64% as compared to Q2 2020 – the highest YoY earnings growth rate since Q4 of 2009.⁷

ONE MORE THOUGHT:⁸ *China Keeps Pressures on Tech Giants; Further Scrutiny for Chinese Firms Listed in the US*
 Just days after Chinese ride-hailing firm Didi Global —the "Uber" of China—IPOed in New York, Chinese authorities had the app banned from most mobile platforms in China due to concerns over security relating to the personal data of Chinese citizens using the app. Chinese officials are requiring Didi to provide additional data on its network security as well as any provisions that would allow Didi to disclose individual user data to foreign governments and regulators. This move by the Chinese Cyberspace Administration to investigate the use of user data by Didi is part of a larger crackdown on Chinese tech giants—Alibaba, Tencent, Baidu, and others—that collect vast troves personal data on their largely Chinese users. China, under the guidance of Premier Xi Jinping, has clearly signaled

¹ Bloomberg LP

² <https://www.cnn.com/2021/07/07/visa-says-crypto-linked-card-usage-tops-1-billion-in-first-half-of-2021.html>

³ <https://www.mba.org/2021-press-releases/july/mortgage-applications-decrease-in-latest-mba-weekly-survey>

⁴ <https://www.dol.gov/ui/data.pdf>, 8-July release

⁵ <https://www.ft.com/content/0e6cb7c6-70df-4f16-a2b5-f2980592d558>

⁶ Bloomberg LP, CNBC

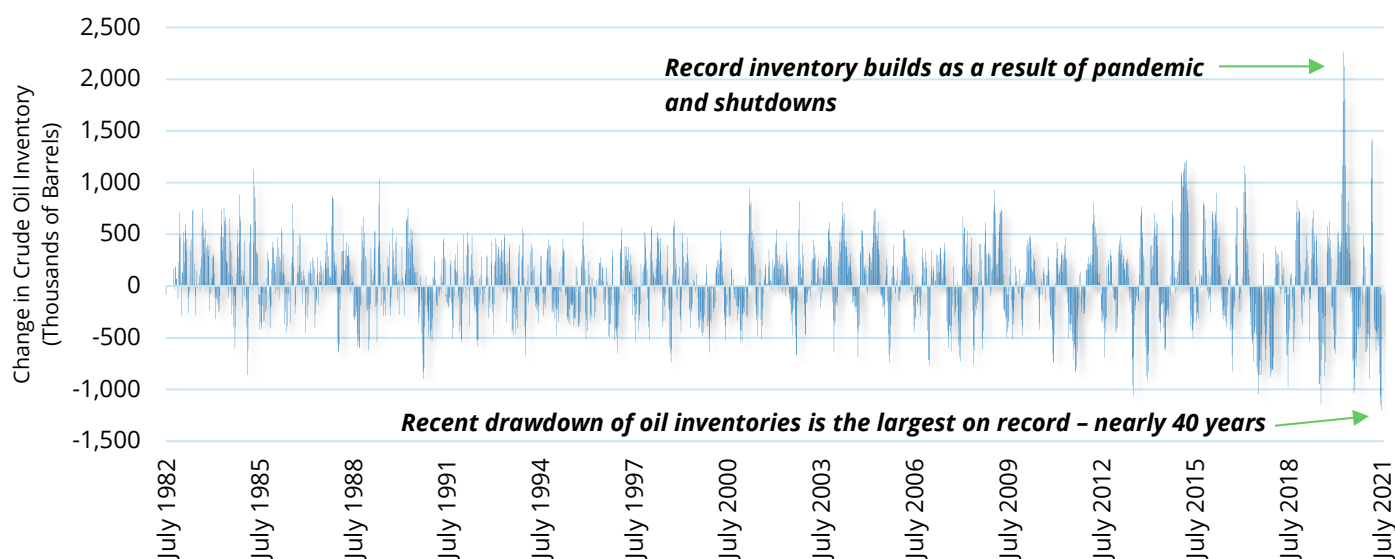
⁷ https://www.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_070921.pdf

⁸ <https://www.ft.com/content/299ba00b-dfef-4c53-88a2-e6725d14025d>

that the Chinese government would not allow unfettered use of this data by China's corporate sector and would be taking increased efforts to protect this data from being accessed by foreign companies and governments. The end result of these activities is that other Chinese tech firms that rely on leveraging client data are likely to face additional scrutiny as they grow in size and amass a larger body of users. Similarly, Chinese firms inclined to list on foreign exchanges, such as in New York, are likely to face even greater scrutiny in terms of their privacy policies, data disclosure requirements, and network security. As the US and China increasingly confront each other in areas of technology and innovation, expect more moves by China to disincentivize its most innovative companies from listing overseas, and to increasingly make it clear to its own tech firms that the Chinese government has the last say over who can access data on its citizens and under what terms.

CHART OF THE WEEK

Record Oil Inventory Drawdowns



Source: Clearstead, U.S. Energy Information Administration (EIA), <https://www.eia.gov/petroleum/supply/weekly>, As of 8-July

Crude oil inventories have declined by a record 1.2 million barrels per day over the most recent 4-week period ended July 2nd. Meanwhile the Organization for Petroleum Exporting Countries (OPEC) abandoned talks over potential production boosts. Oil prices now sit near 3-year highs, with some analysts now expecting \$100/bbl, which has not been seen since July 2014.

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