

OBSERVATIONS

- Higher coffee prices ahead? Arabica coffee futures rose +35.4% from 19-July to 28-July reaching 7-year highs as drought conditions have been followed by frost in Brazil, which accounts for 40% of world output.¹
- Globally, there are now 38 million unique wallets holding some quantity of Bitcoin (BTC), that contrasts with 33 million as of the beginning of the year. Total BTC trading volume during the first half of the year reached \$2.1 trillion, up nearly 500% from the \$356 billion total logged during the same period last year.²
- More regional bank M&A; Citizens Bank announced plans to acquire Investors Bancorp in a \$3.5 billion deal. The deal puts regional bank M&A totals at over \$50 billion for 2021, compared to \$5 billion for all of 2020.¹
- Pfizer now expects its COVID-19 vaccine to generate over \$33 billion in revenues for 2021, on pace to become the world's best-selling drug — besting AbbVie's Humira and Merck's Keytruda.³
- The national eviction moratorium expired this past Saturday (31-July) affecting more than 15.0 million people or 6.4 million households who are behind an estimated \$21.3 billion to landlords — an average of more than \$3,000 per household. Meanwhile, some states will continue to limit eviction proceedings.⁴
- Robinhood, the 3rd largest brokerage by number of funded accounts, had its initial public offering last Thursday with a valuation of over \$30 billion. Speculative trading drives the firm's bottom line with over half of revenues coming from trading in options and cryptocurrencies, 38% and 17% respectively.⁵
- Preliminary estimates for Q2 GDP growth came in at +6.5%, below the median forecast of +8.4%. GDP is now officially above peak levels observed pre pandemic.¹
- Last week the U.S. Energy and Information Administration reported that for the first-time renewable energy (e.g., wind, solar, and hydroelectric) became the number two U.S. electricity generator — cranking out more power in the U.S. during 2020 than either coal or nuclear. Only natural gas generated more power.⁶

EXPECTATIONS

- Goldman Sachs lowered GDP forecasts for Q3 (from annualized rate of 9.5% to 8.5%) and Q4 (from an annualized rate of 6.0% to 5.0%) of this year citing a slower than anticipated recovery in the services sector.¹
- As expected, the Federal Reserve did not make any changes to monetary policy. Last week's Fed meeting was the last before the critical [Jackson Hole Symposium](#) where markets await potential clarity on the central bank's intentions on tapering of the \$120 billion per month quantitative easing program.
- Earnings: nearly 60% of S&P 500 companies have reported earnings, 88% of which have reported better than expected results – on pace for a record setting mark. Earnings are coming in +85% higher than this time last year, bringing calendar year 2021 YoY earnings growth expectations to whopping 41%. This week 148 S&P 500 companies will report earnings.⁷

ONE MORE THOUGHT:¹ *China in the middle of a self-inflicted correction, a follow up to our [12-July One More Thought](#)* China's crackdown on technology and education companies has weighed considerably on the stocks of Chinese companies. The MSCI China Index has entered a bear market, having declined -31.1% after reaching its all-time high earlier this year on 17-Feb (chart of the week) through to last week's lows. The MSCI China Index last experienced a

¹ Bloomberg LP

² Coinbase, H1 2021 in Review as of 26-July

³ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/cancer-drugs-show-big-sales-rise-in-2020-abbvie-s-humira-again-tops-list-63249898>, Bloomberg LP

⁴ Newsweek, COVID-19 Eviction Defense Project, The Aspen Institute's Financial Security Program, National Equity Atlas

⁵ CNBC, Bloomberg LP, <https://www.cbinsights.com/research/report/how-robinhood-makes-money/>

⁶ <https://www.eia.gov/todayinenergy/detail.php?id=48896&src=email>

⁷ Factset Earnings Insight, as of 30-July

bear market when it declined nearly -33.0% in early 2018. The regulatory scrutiny facing many of China's tech firms stems from Chinese authorities updating the legal foundations to regulate these large platform tech firms that are increasingly at the core of many Chinese consumer interactions with financial markets, secondary education, insurance markets, and major asset purchases (e.g., homes and autos). Equally, it is a clear signal that the Chinese state will be the final arbiter as to how these platform companies leverage, share, and collect vast amounts of personal data on the average Chinese consumer, and the latest moves suggest a real wariness that some of this data could be disclosed to foreign (read US) companies or authorities. Lastly, Beijing is keenly focused on balancing social stability with its embrace of capitalistic markets and its latest efforts to rein in the cost of private tutoring—some surveys suggest over 20% of disposable income was being spent on private tutoring—is an effort to appease increasing popular angst over the cost of education which has served as an impediment to the state's recent three child policy shift. Since the draft rules effectively banning for-profit tutoring for the K-12 level came to light in late July, Chinese regulators have sought to soothe the equity markets and inject more liquidity to stabilize shares as well as the Chinese Yuan. Nonetheless, the results of these efforts suggest the days of run-away profits for China's largest tech firms are likely over.

CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, as of 30-July

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