

OBSERVATIONS

- Nominal retail sales (not inflation adjusted) in the U.S. rose +1.7% in October on a MoM basis, the largest MoM increase in 7 months with all major categories contributing to the strength.¹
- Industrial production reached 7-month highs in October after a better-than-expected reading of +1.6%. Meanwhile, capacity utilization in the country's factories reached 76.4% — the highest since Dec of 2019.¹
- Start-up electric vehicle auto makers Rivian (\$120bn) and Lucid (\$89bn) now have market capitalizations, as of 17-Nov, that are closing in on or exceed Ford (\$78bn) and General Motors (\$93bn).¹
- Natural gas woes in Europe continued last Tuesday (16-Nov) as Russia's Nord Stream 2 pipeline approval faced delays in Germany, sending the commodity over 10% higher on the day.¹
- Homebuilder confidence remains high as the sentiment index rose to 83, just one point shy of the 2021 high set earlier this year in February. Confidence was driven by expectations for single family sales over the next six months and by regional strength in the Southern and Western geographies.²
- U.S. housing starts were over 1.5 million (seasonally adjusted annualized rate) in October, down slightly from September's figure, but well above pre-Covid housing starts of about 1.3 million in October-2019.³
- Inflation is also surging in Europe amid supply chain disruptions, energy shortages, and the elevated purchasing of consumer goods.⁴ Inflation reached 4.5% YoY in Germany and 5.4% YoY in Spain—both 29-year highs—while in the UK inflation reached 4.2% YoY and in France 2.6% YoY—both were 10-year highs.⁵
- The U.S. House of Representatives passed Biden's \$1.75 trillion spending package last Friday; the Senate will take up the bill in the coming weeks.

EXPECTATIONS

- Global dividends paid in the third quarter were higher than any other third quarter, according to fund manager Janus Henderson. They expect global dividend payments to reach a new annual record of \$1.46 trillion in 2021 as nearly 90% of companies have either raised or kept steady dividend payments.¹
- Treasury Secretary Yellen noted that the U.S. is now likely to reach its debt limit by 15-Dec, 12 days later than the original estimate of 3-Dec, giving D.C. much needed additional days to suspend or lift the debt ceiling and avoid a default.⁶
- The leaders of the US, Canada, and Mexico held a trilateral meeting last week that focuses on trade issues, cross-border investments, the US-Mexican border, vaccine sharing, and energy security. The largest takeaway seems to be that the tone of relations between the three countries seems to be improved.⁷

ONE MORE THOUGHT: Japan Embarks on Historic New Stimulus Plan⁸

New Japanese Prime Minister, Fumio Kishida—fresh off the late October election victory—announced a new fiscal spending package to jump-start the Japanese economy. The ¥56 trillion plan (\$490 billion) far exceeded media expectations of ¥40 trillion and if fully enacted would be largest fiscal stimulus in modern Japanese history. The

¹ Bloomberg LP

² <https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index>

³ <https://www.census.gov/construction/nrc/pdf/newresconst.pdf>

⁴ <https://www.ft.com/content/1d3d1c9b-e0af-42db-b1d8-1f601854ea8d>

⁵ <https://www.ft.com/content/e1a5ce6e-4c13-4ae7-a821-d15a094a4755>

⁶ <https://www.cnn.com/2021/11/16/yellen-says-us-could-hit-debt-limit-on-dec-15-giving-congress-more-time-to-strike-deal.html>

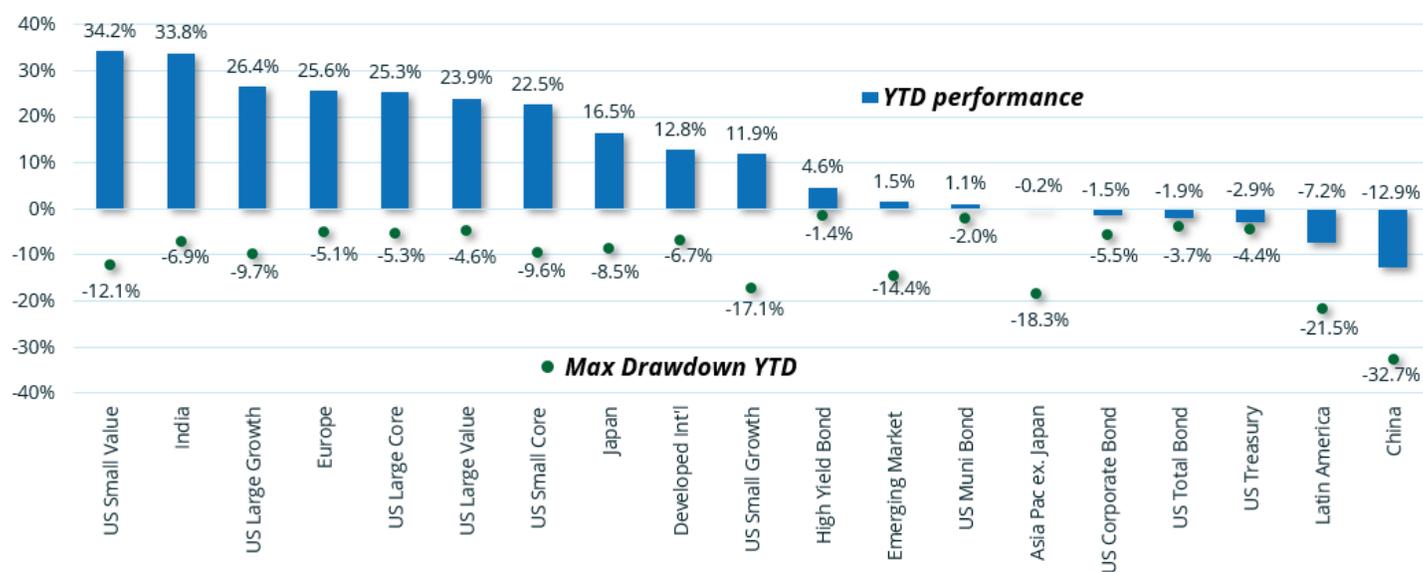
⁷ <https://www.cnn.com/2021/11/18/politics/us-canada-mexico-summit/index.html>

⁸ Goldman Sachs – Japan Economic Flash 19-Nov-2021

package includes support for Japan's semiconductor industry, university research, vaccine production, and battery technology. But the bulk of the spending is reserved for direct payments to households and small business to buttress spending and reinvigorate the economy. Japan's economy contracted by -3% on an annualized basis in Q3-2021 and retail sales has been particularly weak in recent months. PM Kishida aims to pass the package by mid-December with some of the spending to be funded by the use of unspent Covid-funds from last year's budget.

CHART OF THE WEEK

The Good and Bad of 2021 (so far)



Source: Clearstead, Bloomberg LP, data as of 15-Nov. US Small Value=Russell 2000 Value, India=MSCI India, US Large Growth=Russell 1000 Growth, Europe=MSCI Europe, US Large Core=Russell 1000, US Large Value=Russell 1000 Value, US Small Core=Russell 2000, Japan=MSCI Japan, Developed Int'l=MSCI EAFE, US Small Growth=Russell 2000 Growth, High Yield Bond=Bloomberg High Yield, Emerging Market=MSCI Emerging Market, US Muni Bond=Bloomberg Muni, Asia Pac ex. Japan=MSCI Asia Pacific ex. Japan, US Corporate Bond=Bloomberg Corporate, US Total Bond=Bloomberg Aggregate, US Treasury=Bloomberg US Treasury, Latin America=MSCI Latin America, China=MSCI China

As we approach the home stretch for 2021, domestic markets have performed remarkably well buoyed by an improving and generally positively surprising corporate profit backdrop. In contrast, the bond markets have faced headwinds of rising rates throughout the year leading to subpar returns. Meanwhile, emerging markets have continued to struggle as China weighed on sentiment throughout the year.

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