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Weekly Market Commentary
June 7th, 2021

What Does This Weeks Jobs Report Mean For Market Growth?

We've reached a phase in this recovery in which good news is, at times, interpreted as bad news:

- Strong job growth = good news
- Growth so strong it spurs persistently high inflation = not-so-good news

Last week's May employment report showed job growth is improving, but not as quickly as anticipated. With markets processing most economic readings through the filter of inflation implications, equities saw a small lift following the report.

Here are some key takeaways from the latest jobs report:

1. Good, not great, job growth leaves plenty of mileage ahead for the economic expansion.

- A total of 559,000 new jobs were added in May. On one hand, this was shy of consensus expectations of 670,000, indicating the labor market is still suffering from the pandemic disruption. On the other hand, this was double the payroll gains of April, signaling, in our view, that hiring momentum is building as the reopening progresses.
- We are still 7.64 million jobs below pre-pandemic total employment, leaving plenty of room for improvement. Since 1939, every single expansion has seen the total number of people employed exceed the previous expansion's peak – on average, total employment rose 9.15 million jobs above the preceding peak. Job growth should continue to persist as the economy reopens again.

2. The labor shortage amid high unemployment should prove temporary, adding consumer horsepower.

- There is a clear mismatch between the supply of workers and the demand for labor. With 8.1 million job openings and 9.3 million unemployed workers, demand has snapped back much more quickly than people have been able, or willing, to return to work. We suspect multiple factors are contributing to this, including childcare, increased unemployment benefits, and skills mismatches between pre-pandemic positions and existing needs.
- The strongest hiring gains were seen in leisure and hospitality (292,000) and education (144,000), signaling the hardest-hit sectors are starting to see an upturn.
- The unemployment rate fell to 5.8% from 6.1%. It will continue to trend downward as vacancies are filled and impaired industries gain footing. A concerning sign, however, was May's 53,000 labor force decline. This reflects factors including increased retirements (possibly spurred by higher stock and housing market values), but overall, it indicates that people remain hesitant to return to the workforce. The growth rate of the labor force is a key element of GDP growth. A growing workforce and faster hiring will be a strong chassis upon which the expansion will advance.

3. The Federal Reserve won't have to hit the brakes soon.

- There is plenty of open road ahead for this economic expansion, and consumer spending – supported by an improving labor market – will be the driving force. But the current labor shortage, combined with heaps of stimulus, means we can't dismiss the risk of inflation. The fear is that higher inflation will prompt the Fed to tighten monetary policy, undermining the economic recovery and pulling the rug out from under the liquidity-fueled bull market inequities.
- The Fed has a dual mandate: stable inflation and maximum employment. The measures for each, however, have changed recently. On the upside, this provides additional flexibility for the Fed to keep accommodative policies in place to support the recovery. The downside is that it raises the risk that the Fed, speeding into a curve, will stay too loose for too long, fall behind and have to raise rates aggressively to catch up. Its maximum employment mandate has been broadened beyond just the statutory unemployment rate, which we think is appropriate. Anticipate that the Fed will pursue lower unemployment for longer than in prior cycles to make labor market benefits more broad-based and inclusive. This means average inflation targeting, not maximum employment, will be the trigger for

eventual policy adjustments.

4. A positive fundamental outlook and emerging risk factors make the case for portfolio discipline and prudent asset allocation.

- More gas in the tank – We think the fundamental outlook continues to be favorable, making a positive case for equities. Outside the double-dip recession of the early 1980s – when inflation was at double digits – no recession in the last 75 years has begun when unemployment was at current levels and falling. The combination of strong GDP growth, rising corporate profits, and still-low interest rates will support an enduring bull market.
- Growth vs. value – Over the past 40 years, when earnings growth is accelerating following a recession, value and cyclical investments have traditionally outperformed growth investments. Value is up more than 18% year-to-date, notably outpacing the returns for growth investments. This reflects a rotation in leadership that we think will continue this year, given growth has handily outperformed value over the past several years.
- Quality over speculation – Shares of AMC and crypto prices remained in the headlines this week as these speculative assets continued to exhibit extreme volatility. The meteoric gains in these areas have caught investors' interest. At the same time, as this expansion advances, you should expect economic and corporate fundamentals to set the pace. While short-term gains may not be as eye-catching as frothy pockets of the market or as strong as the overall market returns of the past 15 months, high-quality investments and diversified allocations across asset classes will be well-positioned to navigate the next phase of the expansion.

(source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	34,757	.66%
S&P 500 Index	4,230	.62%
NASDAQ	13,814	.47%
MSCI EAFE	2,344	.81%
10-yr Treasury Yield	1.55%	-3.73%
Gold	$1861	-.50%
Bonds	$114.68	.11%

Source: Wall Street Journal

Meme Stocks Are On A Wild Ride Again!

Meme stocks are on the move again—while the broader market is running in place.
Shares of AMC Entertainment Holdings Inc., Gamestop Corp. and other stocks popular with individual investors swung sharply again Friday. They have surged over the past two weeks, a frenetic rally reminiscent of the Reddit-fueled craze of late January.

AMC became the latest darling of investors who have banded together on social media in a bid to propel the shares higher. The stock dropped 6.7% Friday but held onto a gain of 83% for the week. That has extended its gains for the year to more than 2,100%. Its daily average trading volume this week has more than tripled the 2021 average.

The S&P 500, meanwhile, has waffled in a narrow range as investors parse signals about inflation and the labor market that could feed into the Federal Reserve's next moves. The benchmark rose 0.9% Friday after the monthly jobs report showed employers added 559,000 jobs in May, fewer than economists had projected—a snippet of evidence that could weigh against the Fed moving up its timeline for raising rates or easing back on bond purchases.

Trading volumes have been tepid as well during the holiday-shortened week. About 11.4 billion New York Stock Exchange-listed and Nasdaq-listed securities have changed hands on average each day this week, down from the 2021 average of 12.5 billion. During the height of the previous meme stock craze on Jan. 27, more than 23 billion shares and other securities changed hands.

The momentum in meme stocks, meanwhile, doesn’t yet match the fury of January.
More than 766 million shares of AMC changed hands on Wednesday alone—the stock’s second-busiest day on record, according to DJMD. That pales in comparison with the Jan. 27 peak, when 1.25 billion shares traded in a single session—but easily tops its daily average of 163.3 million shares this year.
AMC has been the third-most actively traded stock in the U.S. market in 2021.
(source: Wall Street Journal)

Market News, Corporate Earnings, and News & Notes

(source: CNBC)

Walmart joins Target in saying they will be closed on Thanksgiving Day

Walmart said Friday its stores will be closed on Thanksgiving Day, joining big-box rival Target in shutting its brick-and-mortar locations on the national holiday.

With the move, two of the country’s largest discounters are showing how the pandemic has permanently influenced the industry — even as Covid-19 cases drop and the health crisis wanes in the U.S. It will mark the second straight year in which Target’s and Walmart’s stores are closed on Thanksgiving. Target had announced its decision in January.

For many years, consumers kicked off their holiday shopping in earnest the day after Thanksgiving, which is also known as Black Friday. But until last year, some retailers had been shifting the kickoff of Black Friday events earlier.

Many retailers, including Best Buy and Lowe’s, adjusted the cadence of their holiday sales season last year. Companies started sales around Halloween, but closed stores on Thanksgiving Day and put more promotions online to try to tamp down on crowds that could contribute to the virus's spread and show appreciation for frontline workers.

Walmart announced the news about this year’s Thanksgiving to a group of store employees during its associate celebration meeting. That gathering typically coincides with Walmart’s annual shareholders’ meeting in Bentonville, Arkansas, which was held virtually for the second year in a row.

Walmart Chief Operating Officer Dacona Smith said in a news release that closing stores on the holiday “is one way we’re saying ‘thank you’ to our teams for their dedication and hard work this year.”

Walmart said it will share hours for Black Friday at later date.
Source: (CNBC)

Earnings Highlights This Week

- Krispy Kreme- Krispy Kreme reported a jump in revenue for the first quarter of 2021. The doughnut chain is readying its return to the stock market after five years, according to a filing for an initial public offering that was made public on Tuesday. Krispy Kreme last month confidentially filed with U.S. regulators for an IPO.

- Zoom- Zoom’s first-quarter results exceeded estimates across the board. The company now sees 50% revenue growth for the full fiscal year as expansion drops from the pandemic-fueled 2020.

- GM- General Motors said it would ramp up production of large- and mid-sized pickups in North America as demand rises. The automaker also expects financial results for the first half of 2021 to be "significantly better" than the forecast earlier.

- Lululemon- Lululemon said fiscal first-quarter revenue soared 88%, topping analysts’ estimates, as shopper traffic steadily rebounded to its stores. The leggings maker also issued a strong forecast for its fiscal second quarter and for the full year, saying momentum for its brand is growing across all geographies.

News and Notes:

Three Apps To Help You Start Saving For College?

How can parents save for college if they haven’t started yet?

- Many ways you can save for college, but two popular ways:
    - 529 Plans: (plans vary from state to state) can be used tax-free for K-12 education, college,

grad school, and even paying off student debt.
    - UTMA/UGMA: Uniform Transfer (Gifts) to Minors Act- can generally be used for the benefit of the minor and can take advantage of the "kiddie" tax.
- Just 36% of Americans can correctly identify a 529 as a college savings tool and less for a UTMA account.

What are the new apps that families should be considering for college education savings?

- EarlyBird: *an easy way to open up a custodial account, first $200 managed for free and then $1 a month after that.*
- Backer: an *easy way to open a 529, customized gift page for friends and family, cashback rewards from partners, starts at $1 a month.*
- UNest: an *easy way to open a custodial account, can invite friends and family, auto investing, cash rewards, starts at $3 a month.*

Is it worth it to save for a college education?

- On one hand, the typical college graduate will earn roughly $900,000 then the typical high school graduate.
- On the other hand, college is not for everyone, and we have a major shortage of blue-collar workers in America.
- Currently, employers can't find workers fast enough…

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