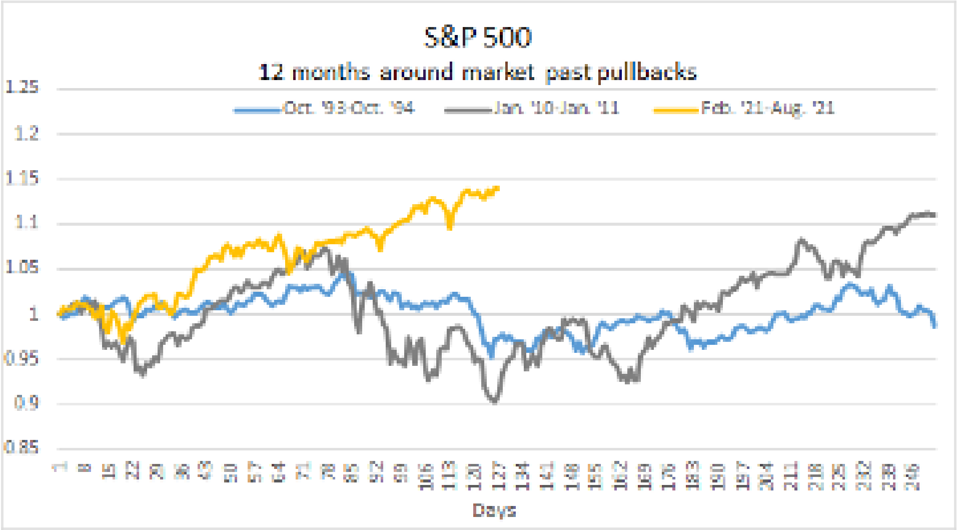
Weekly Market Commentary
August 9th, 2021

Should We Be Expecting Market Jitters?

Market jitters should be expected. It is unrealistic to think the markets will grow by 10% every year in perpetuity…as Alan Greenspan once said, "that is irrational exuberance." Even beautiful markets have blemishes. Strong gains in equities coming into 1994 and 2010 were met with a jump in volatility, with markets experiencing a pullback as more pessimistic economic- and monetary-policy outlooks were priced in. Markets have been rather optimistic for much of this year, with U.S. stocks reaching a new record last week and interest rates still at historically low levels· This does not suggest a correction is imminent, but pullbacks are a normal part of sustained bull markets. It is important you do not panic if the markets have a week where they are down 1% to 3%.

- 1994: The S&P 500 was up 63% from the 1990 low as economic conditions improved to start the decade· The shift in Fed policy and sharp rate hikes jarred both the stock and bond markets, with equities dropping 9% and bonds falling 5% during February and March.
- 2010: U.S. equities rose 80% in the year leading up to April 2010, before dropping 16% over the course of May and June as double-dip recession fears gained steam. With the Fed holding rates steady at 0%, bonds maintained their traditional role for portfolios during volatility, gaining 3% in the period[1].
- 2021: The S&P 500 has risen 98% from the 2020 low, including an 18% increase year-to-date. GameStop (remember that one?) and inflation concerns prompted dips of 4% in February and May, but the rally this year has largely been free of any persistent drama.



Sharing this information with you should give you some appetite to either store up some cash or dollar cost average into your current positions. A dip in the markets in the fall here of 5% to 15% could provide a significant buying opportunity given the historical markets in recent relevant history in the early '90s and after the great recession.

(source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	35,209	.78%
S&P 500 Index	4,437	.96%
NASDAQ	14,836	1.11%
MSCI EAFE	2,359	.73%
10-yr Treasury Yield	1.31%	6.50%
Gold	$1,763	-2.70%
Bonds	$115.79	-.58%

Source: Reuters/Wall Street Journal

In 2008 -The Great Recession---In 2021 The Great Resignation?

Tech workers got used to working from home during the pandemic, and that could be a big problem for Big Tech.

Companies such as Apple Inc., Google parent Alphabet Inc., Facebook Inc., and Amazon.com Inc. have committed to bringing employees back to their giant, expensive campuses for at least part of each week. Big Tech has already seen a gradual retreat of workers toward smaller companies and startups that have received a wave of cash during the pandemic, but that could turn into a full-fledged exodus in what some are calling a generational change in the tech industry.

About four in 10 people said they would look for another job if they are forced to return to the office full-time, according to a new analysis by the University of Chicago's Becker Friedman Institute for Economics. Of particular concern to many employers is that half of Gen Z employees say they'll leave their current job if they're not given a hybrid work option, according to a new study commissioned by workspace-technology company Kettle of 1,000 U.S. Gen Z workers.

In tech, the number may be much larger. Zoom Video Communications Inc. said this week that only 1% of its employees expressed interest in working full time in the office, while more than half preferred a hybrid model and a quarter wanted to work remotely full-time. The video conferencing company in response announced a return-to-work model that mixes remote and in-office work.

"There is a sentiment that people can work from home very effectively, and they may not want to return to the status quo of the office," Mabel Abraham, an assistant professor of management at Columbia Business School, told MarketWatch. "We have reached a pivotal moment for employers to stick with the status quo and risk losing 30% of their workers or to reinvent how they do work."

Midsize Silicon Valley companies are showing more flexibility with work-from-anywhere incentives, as well as setting up operations in smaller cities. Twitter Inc. has decentralized its workforce the past few years and actively hired in Atlanta and Miami. Dropbox Inc estimates it will open in at least a handful of new cities over the next 18 months.

Big Tech seems to be sticking to its guns, however. Employees at Apple and Google objected to being rushed back to the office before plans were delayed by the spreading COVID Delta variant, and experts with whom MarketWatch spoke suggested it leaves them vulnerable to having employees poached by smaller public tech companies and startups. Apple and Google have plowed billions of dollars into sprawling campuses teeming with sophisticated high-tech machinery and infrastructure that function as latter-day industrial hubs.

Within these multi-building facilities are elaborate ecosystems of food service, gyms, medical facilities, and custodial services that employ thousands of people, whom some Big Tech companies have paying throughout the pandemic. The campuses and the services they offer were considered perks by employees before the pandemic but aren't as alluring as the comforts of working from home, free of an excruciating commute and overcrowded offices.

At the same time, smaller companies that are flush with cash from venture capitalists or initial public offerings seem very open to shaving the costs of occupying and maintaining office space in the pricey San Francisco Bay Area while attracting proven talent.

"I strongly believe only 10% of people want to go back to the office full-time. We are targeting talent at Big Tech with the flexibility to work from home," Greg Woock told MarketWatch. Woock, the CEO, and founder of San Jose telecommunications company Pinger Inc. reopened his offices in late July with the expectation that most employees will remain remote with only occasional office visits.

"People want to work remotely, and they are voting with their feet," he said.
"Remote work is a good employee recruitment and retention tool," said Todd Blaschka, chief operating officer at analytics company TigerGraph, who has seen a flood of resumes from Big Tech workers and will also use a flexible atmosphere to woo them.

"Remote work is increasingly a bargaining chip for very valued employees," said Columbia Business School professor Adam Galinsky, who expects remote work to become a major recruiting magnet. "The attitude is, 'You want to retain me, then I get to work remote three days a week.'"

For the past year overall, Big Tech has been pretty safe. The average attrition share — the number of U.S. employees who left a company divided by that company's total number of U.S. employees — across Microsoft Corp, Apple, Facebook, Google, Amazon.com Inc., Oracle Corp., International Business Machines Corp., HP Inc., Salesforce.com Inc., and Intel Corp. was 7.6% during the last 12 months ending July 2021, down from 9.9% a year earlier, according to a LinkedIn study conducted specifically for MarketWatch.

But the predicted attrition rate in tech in the second quarter, 11%, exceeds the overall job market at 8%, as more workers insist on working from home and taking more control of their lives during the pandemic, according to Elora Voyles, people scientist for employee-engagement software company Tinypulse.

Three out of four employers reported their remote workers were experiencing exhaustion, and about two-thirds of employers believe a hybrid model is the best approach to work going forward, Voyles said.

(source: marketwatch)

Market News, Corporate Earnings, and News & Notes

(source: CNBC)

Household Debt Jumps To Its HIGHEST Level In 14 Years (source: CNBC)

Household debt rose by its highest dollar amount in 14 years during the second quarter, thanks mostly to a surge in the housing market that brought the collective American IOU to just shy of $15 trillion, the Federal Reserve reported Tuesday.

Total debt balances jumped $313 billion in the April-to-June period, the sharpest rise since the same period in 2007.

As a share of debt, that represented a 2.1% increase, the fastest pace since the fourth quarter of 2013.

Most of the gain came from mortgage originations, both initial purchases and refinances, which have been on fire as the Federal Reserve has kept benchmark borrowing rates anchored around historic lows.

Mortgage balances increased $282 billion for the period, up 2.8% from the first quarter and 6.7% from a year ago, for a total of $10.4 trillion.

Over the past four quarters, mortgage originations have totaled close to $4.6 trillion, amounting to 44% of all outstanding home loan balances.

But the swelling debt numbers weren't just about mortgages, with non-housing balances up to $44 billion.

Credit card balances increased by $17 billion, while auto loans were up $33 billion. Student loan debt actually decreased for the period, falling $14 billion to $1.57 trillion as forbearance programs have kept education-related balances in check.

Indeed, government efforts overall at getting consumers through the Covid-19 pandemic resulted in low delinquency numbers across the board. In the aggregate, some 2.7% of the debt was in some form of delinquency, a 2-percentage point drop from the fourth quarter of 2019, just before the pandemic hit.

However, those breaks are expiring in the coming months, posing challenges to borrowers who now will have to get current on their loans.

"We have seen a very robust pace of originations over the last four quarters with new extensions of credit for mortgages and auto loans combined with rebounding demand for credit card borrowing," Joelle Scally, administrator of the Center for Microeconomic Data at the New York Fed, said in a statement. "However, there are still two million borrowers in mortgage forbearance who are vulnerable to financial distress once the forbearance programs come to an end."

At least in housing, though, the credit quality of borrowers has been high.

The median credit score for newly originated mortgages was 760, with 71% of all borrowers having a score of over 760. The share of mortgages moving to delinquency totaled just 0.4%, a record low, while the 0.5% share of mortgages that were 90 days or more past due also set a new record amid the ongoing forbearance programs.

Earnings Highlights This Week

(source: CNBC)

Novavax- Novavax announced that it will delay submission of its Covid-19 vaccine to the Food and Drug Administration for emergency use authorization until its fourth quarter. Shares of the biotechnology company slipped 10% after the bell. The company says it is still on track to produce 100 million doses per month by the end of the third quarter and 150 million per month by the end of the fourth quarter.

Wayfair- Online furniture retailer Wayfair said active customers grew to 31.1 million, a nearly 20% year-over-year increase. During the quarter, Wayfair said, its average order value was $278, higher than the $277 a year earlier.

Beyond Meat- Beyond Meat reported a wider-than-expected loss for its second quarter, but it did beat Wall Street's estimates for its revenue. Shares fell more than 4% in extended trading. The company also issued a forecast for third-quarter sales that fell short of Wall Street's expectations. Beyond's U.S. foodservice sales more than tripled as diners returned to restaurants.

Virgin Galactic- Virgin Galactic posted second-quarter results after the market closed on Thursday. The space tourism company announced that it will reopen ticket sales, with pricing beginning at $450,000 per seat. Virgin Galactic flew two spaceflight tests during the quarter, with the second carrying founder Richard Branson.

Norwegian Cruise Lines- Norwegian Cruise Line reported a narrower-than-expected loss and revenue that was missed. Future bookings remained strong as the company plans to require all guests to be vaccinated on all its cruises.

News and Notes:

What Is A Lease Buyout...And Should You Be Doing This Now?

- **What used cars are doing well right now?**
  - Used car vehicles have jumped more than 21% to $25,400 from $20,900 a year ago. New cars, only up about 4.9%.
  - Cars with 100,000 to 110,000 miles were up 31% alone in price just last month give the continued chip shortage or what we call chipageddon.
  - Trucks were the number one used car sector for year-over-year price increases in the high mileage category.

- **How can someone make this work in their favor?**
  - This may be the perfect time to consider a lease buyout.
  - Why? This is because the residual value — the vehicle's worth at the end of the lease — was established when you signed the lease several years ago.
  - This means you could get a deal but be sure to check the sales-tax rules in your state for the total cost of the car.

- **Colleges Are Now Offering Tuition Insurance? With Kids Going Back To College...**
  - As college goes back to in-person, any number of circumstances could threaten to derail the semester.
  - With a surge in COVID cases, some schools say they will offer reimbursement of fees, room & board if campuses close again. Many will not.
  - Tuition Insurance acts like travel insurance. More than 400 schools offer through something called GradGuard (www.gradguard.com) and you can protect 100% of your investment for injuries, illnesses, and mental health issues. Read the fine print of the policy.

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