



INCISIVE INVESTOR

Randall Fielder, President & CEO

1400 Broadfield Blvd. Suite 200

Houston, TX 77084

713-955-3555

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WEEK IN REVIEW

STOCKS ADVANCES FOR A THIRD STRAIGHT WEEK

Stock Market News

Major U.S. stock benchmarks booked a third straight week of gains to end Friday at all-time highs, staging a recovery from the previous session that was marked by doubts about global economic growth in the pandemic.

The Dow Jones Industrial Average DJIA rose 448.23 points, or 1.3%, to a record 34,870.16. The S&P 500 SPX climbed 48.73 points, or 1.1%, to a record 4,369.55, powered by a 2.8% gain in financials XLF and a 2% rise in materials XLB. The Nasdaq Composite Index COMP added 142.13 points, or 1%, to a record 14,701.92. The small-capitalization Russell 2000 index RUT gained 2.2%.

For the week, the Dow and S&P 500 booked gains of about 0.2% and 0.4%, respectively.

The Nasdaq, which started Friday trade on track for a weekly decline of 0.3%, also finished with a 0.4% gain. All three benchmarks rose for a third straight week. By contrast, the Russell 2000 fell around 1.1% for a second straight week of losses.



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Yield drop surprise markets



Much of this week was spent trying to figure out the cause of the recent dive in Treasury yields. Various narratives have been offered, but no consensus thesis has developed. Among the factors considered are increasing concerns over the spread of the Delta variant of the coronavirus, signs that global growth and inflation may have peaked near term, fears of a slowdown in China's credit growth, and a flatter US yield curve due to renewed US Federal Reserve inflation vigilance. Many expect a choppy ride for market rates over the next several months but look forward to higher yields over the medium term. Near-term, investors are grappling with the implications of lower yields. While they tend to be supportive of risk assets, they are forced to seek higher-yielding assets. Lower yields may be a signal that the global recovery may not proceed as smoothly as expected.

Anticompetitive practices

Today, US President Joe Biden will sign an executive order endorsing increased US economic competition. The order contains 72 initiatives targeting practices the administration says have driven up prices, disadvantaged workers, and stunted economic growth. One focus of the order is increased antitrust scrutiny of the technology sector and pharmaceutical pricing is another.

FOMC minutes indicate earlier taper



The minutes of the June meeting of the Fed's Federal Open Market Committee showed that "various" (an undefined term in the closely watched world of FedSpeak) members said they expect the conditions for beginning to taper asset purchases "to be met somewhat earlier than had been anticipated." Market watchers expect the Fed to begin reducing bond buying in late 2021 or early-2022. The minutes show that inflation has run hotter than members expected but that it has been focused largely in sectors impacted by the economic reopening. The FOMC still expects inflation pressures to be transitory, though a considerable majority of members now see inflation risks as tilted toward the upside. Since the committee's meeting in mid-June, the market has come to expect early rate hikes, but fewer than they did before the meeting.

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HEADLINERS

Credit reporting firm, Equifax reported that a record number of US auto loans and credit cards were issued in March. Consumer balance sheets are in good shape as the pandemic eases amid ample federal stimulus.

On Thursday, Pfizer announced that it will ask for regulatory approval of a COVID-19 vaccine booster shot targeting the Delta variant. However, the US Food and Drug Administration and the Centers for Disease Control and Prevention said that a booster shot is not currently necessary.



MAJOR STOCK MOVES

Philip Morris International Inc. PM announced plans to buy Vectura Group PLC, a U.K. pharmaceuticals business specializing in inhaled medicines, for \$1.24 billion in cash, part of its push to expand beyond tobacco and nicotine. Philip Morris shares closed 1.1% higher Friday.

Shares of Levi Strauss & Co. LEVI rose 1.4% after the jeans company late Thursday announced results that topped Wall Street estimates and raised its forecast for the year.

Stripe has hired Cleary Gottlieb Steen & Hamilton LLP to advise it on planning for an initial public offering, according to a report from Reuters Friday.

Shares of United Airlines Holdings Inc. UAL was in focus on Friday after the air carrier is taking advantage of the “resurgence” in travel as the recovery from the COVID-19 pandemic continues, by saying it was adding nearly 150 flights to warm-weather cities in the U.S., and boosting service to Mexico, the Caribbean, and Central America. United

Airlines’ stock climbed 2.9%.

Altria Group Inc. MO said Friday it has agreed to sell its Ste. Michelle Wine Estates business to private-equity firm Sycamore Partners Management LP for about \$1.2 billion in cash. Shares of Altria rose 2.1%.

The Food and Drug Administration and the Center for Disease Control on Thursday said there isn’t scientific evidence that COVID-19 booster shots are required, hours after drugmaker Pfizer PFE said it would seek authorization for a Covid booster shot to help contain the Delta variant. Pfizer shares rose 0.9%

Stamps.com Inc. STMP announced Friday an agreement to be acquired by software investment firm Thoma Bravo in a cash deal that values the web-based mailing and shipping services company at \$6.6 billion. Shares of Stamps.com soared 64%.

Shares of Biogen Inc. BIIB tumbled after the acting commissioner of the Food and Drug Administration called for a government investigation into her own agency’s approval of Biogen’s new Alzheimer’s disease drug.

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Randall Fielder
(713-955-3555, Randall@park10financial.com)