

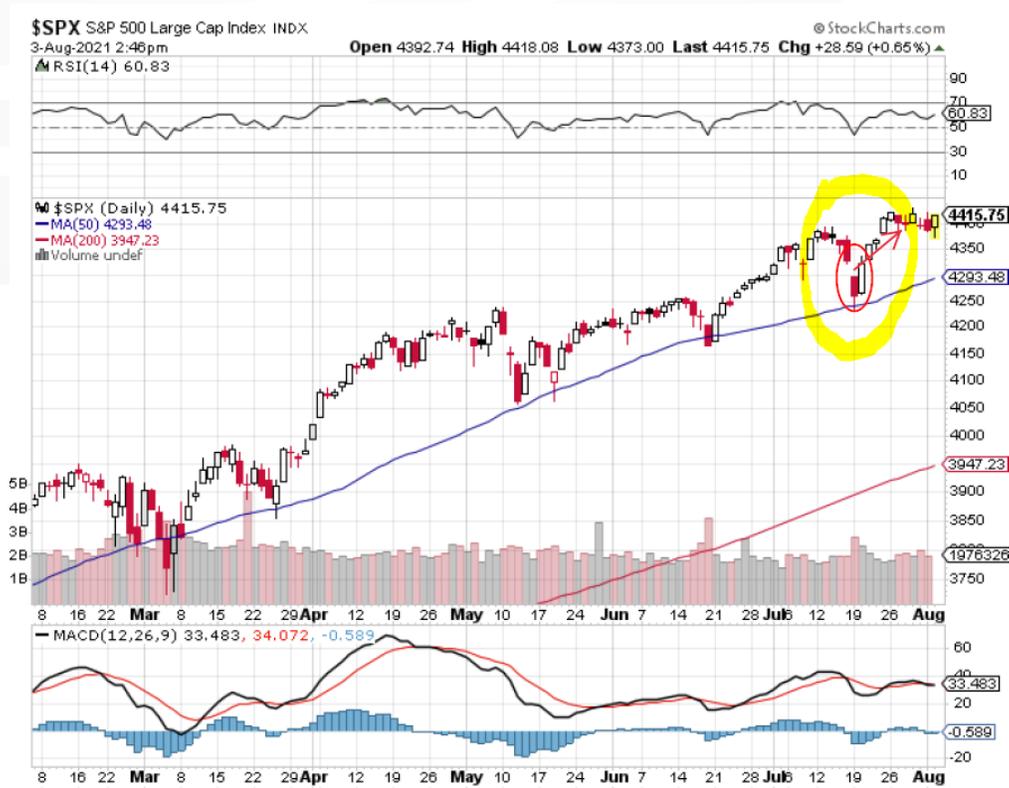
WEEKLY MARKET UPDATE

August 4, 2021



Nothing to see here, or is there?

If you wonder why we don't lend much weight to the day-to-day swings in the markets, notice the circle in the chart below. The S&P 500 was down 69 points, and the Dow Jones Industrial average was down 700 points. Both charts look similar and show that the market has moved back to highs that it had hit prior to that sell off.



My point on this is it would be very easy to get caught up in the emotion of big price declines, only to see the markets rebound when more calm returns.

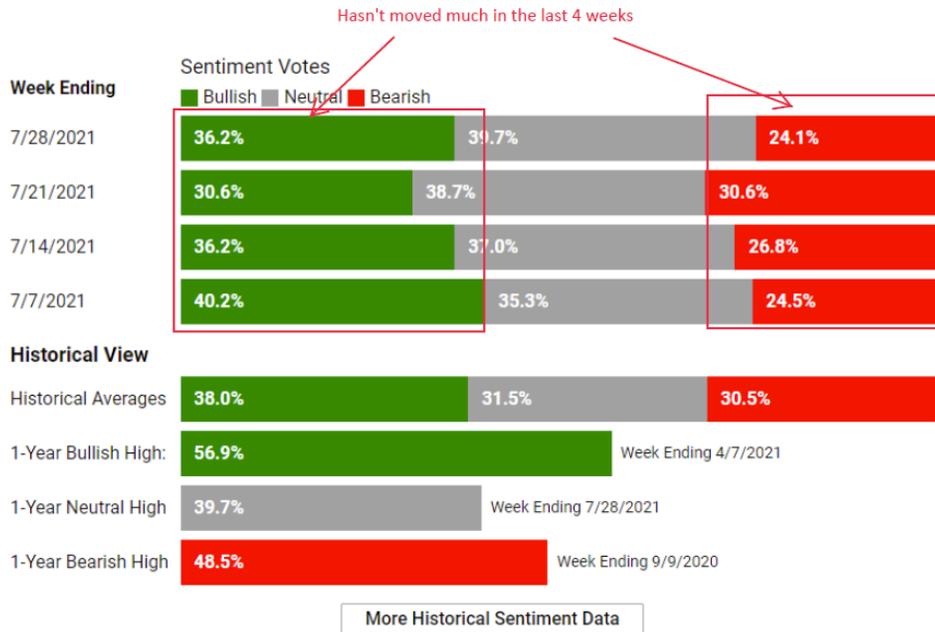
As I mentioned, I was out last week bicycling across the beautiful state of Iowa. I won't waste

As always, you can click on the charts to access larger versions!

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valuable space in this, but for those interested in my thoughts about that adventure, you can [click here](#) to read more.

Since I was mostly off the grid, let's check in on things I missed last week. Below are a couple different examples of consumer confidence and investor enthusiasm. Both measures gauge how good people feel and generally are contrarian indicators. Below is the AAll Investor Sentiment Survey. You can see that we are a long way from the max bullish reading back in April but lack a significant amount of bearish sentiment to propel the markets significantly higher.



Next is the chart of the difference between Consumer Confidence and Consumer Sentiment. You can see that this spread marked a new high dating back to the late 1970s. Historically speaking, it hasn't spelled doom for the markets (at least not right away).



While the economy appears to be slowing into a normal growth rate (from the COVID recovery), we are starting to see some extremes. Here is the latest headline regarding household debt.

ECONOMY

Household debt jumps by the most in 14 years to nearly \$15 trillion in the second quarter

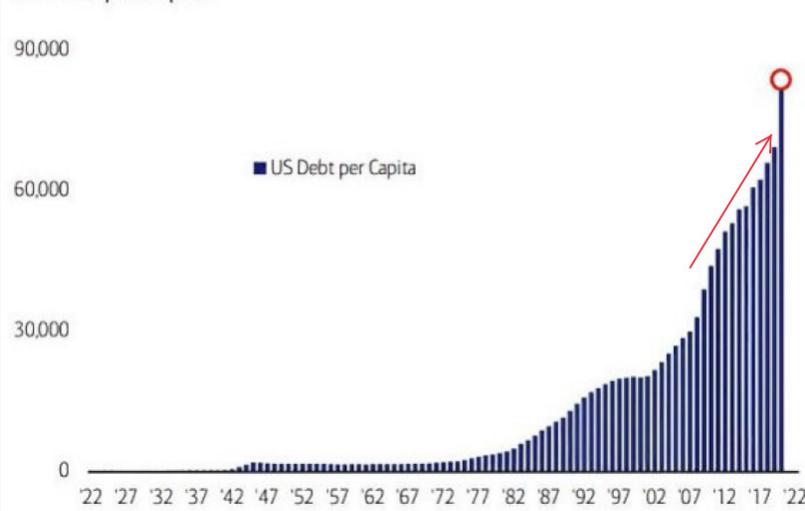
PUBLISHED TUE, AUG 3 2021-11:00 AM EDT | UPDATED 4 HOURS AGO

Meanwhile US debt per capita hits another new high.

US Debt per capita hit \$82,000.

Chart 6: US debt per capita surging from \$69,000 to \$82,000

US debt per capita

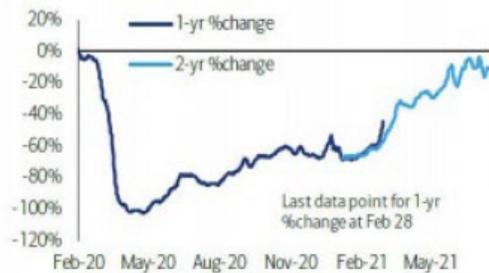


Source: BofA Global Investment Strategy, Bloomberg

Travel spending is back to pre-COVID, though it's now potentially facing a test with the Delta variant:

Travel spending is back to pre-crisis levels.

Exhibit 20: Spending on airlines, based on BAC aggregated card data (1-yr and 2-yr %change of the 7-day moving avg of spending levels)
Airline spending edged lower as holiday impact faded



Source: BAC Internal data. Note: 1-yr %change data is only as of Feb 28th given the outsized swings in the 1-yr %change.

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Exhibit 21: Spending on lodging, based on BAC aggregated card data (1-yr and 2-yr %change of the 7-day moving avg of spending levels)
2-yr %change for lodging remains slightly above 2019 levels

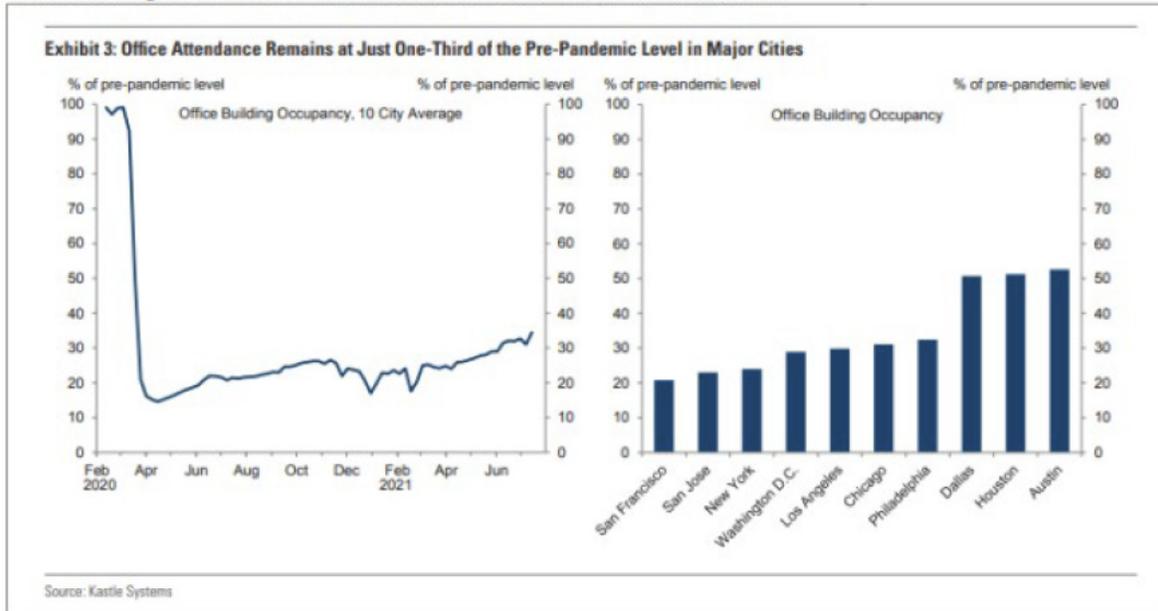


Source: BAC Internal data. Note: 1-yr %change data is only as of Feb 28th given the outsized swings in the 1-yr %change.

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But offices remain 1/3 of pre-pandemic levels.

While working at the office is still less than half of the Pre-Pandemic level.



Will the following policy help or hinder employees coming back to the office? I guess we'll find out in the coming months and years.

Microsoft will require vaccinations for U.S. workers, vendors and office visitors

PUBLISHED TUE, AUG 3 2021-11:43 AM EDT | UPDATED 5 HOURS AGO

As we head toward the dog days of summer, enjoy the nice weather and hope the western wildfires die down and the market can continue to hold things together. Have a great week, or what's left of it as we write on this Wednesday

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