

# WEEKLY MARKET UPDATE

April 26, 2021



## Things that make you go “hmmm”

Last week we discussed valuation and how high prices in the markets are. We have also talked about input prices like lumber and copper. This week I would like to take you further down the road (pun intended).

*Before we continue, I'll mention that we'll be sending out a couple of pieces later this week about capital gains. Between the Biden administration's proposal and the new Washington State capital gains tax passed last night, we've been fielding no shortage of questions on this topic and thought it would be good to put together a couple pieces that will help you navigate these proposals and laws.*

Now back to our regularly scheduled programming...Do you remember a year ago when we brought up the impending bankruptcy of Hertz rental cars? We later referenced how the #Wallstreetbets and the Robinhood crowd started to buy the stock with the thought that it was worth something. You can see the chart below (notice the Q on the end of the ticker symbol). That means the company has filed for bankruptcy protection. It also means that the shares charted below will likely be worthless when they emerge from bankruptcy.



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

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That's not the real topic I wanted to talk about though. In the process of bankruptcy and COVID, the rental car industry was forced to sell over 600,000 cars to raise cash to survive. Fast forward a year and this is what we have for a headline now.

There are so few cars to rent on the islands of Hawaii that people have turned to moving trucks to drive around on vacation. It now costs more to rent a car for a week than it does to rent a hotel room.

To add insult to injury, even if the rental car companies wanted to add vehicles to their fleet, here is what is holding that up...

## Hawaii tourists are renting U-Haul vans instead of rental cars due to a massive shortage sending prices up to \$700 a day



Brittany Chang

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AP Photo/Charlie Neibergall

# Semiconductor Shortage Halting Car Production across North America

GM, Ford, Stellantis, Toyota, VW, Honda, Nissan, and Subaru have lost production for lack of chips, and globally a million fewer cars will be built this quarter.

That's right, not steel, not labor shortages, but computer chips. You know, the kind they can make by the millions.

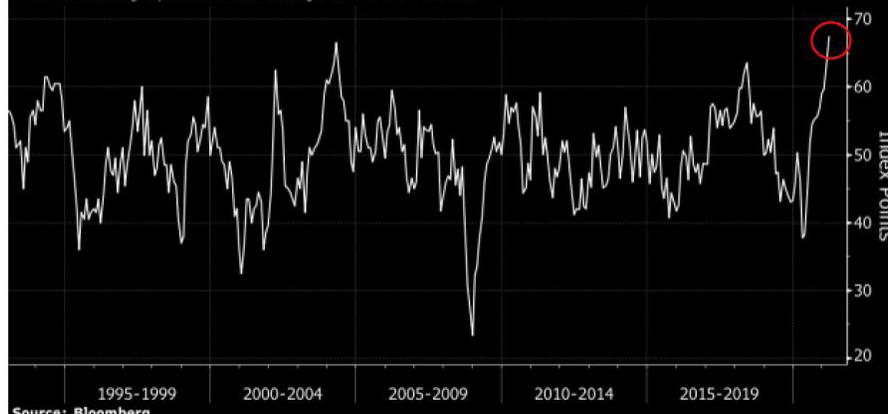
It's not just automakers and chip manufacturers of course. Have you tried to get any trade to your house for work? Electricians, plumbers, handy people? How about this next chart? Manufacturers are reporting the biggest backlog since 1993. Help me with the math, is that almost 30 years?

Manufacturers see the biggest backlog on record.

### Bottled Up Like Never Before

Backlogs reported by U.S. Manufacturers are worst since inception in 1993

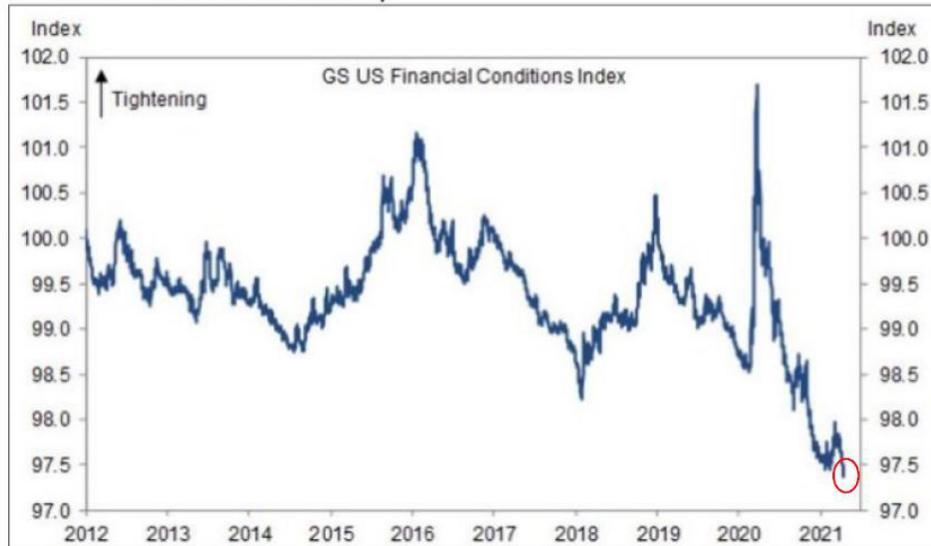
■ ISM Manufacturing Report on Business Backlog of Orders NSA - Last Price



Source: Bloomberg

So, I have a good idea. The world is reopening, people are getting checks from the government, the Federal Reserve is flooding the economy with tons of cash (case in point, financial conditions have never been easier). Let's put together a massive infrastructure bill that will make every bottleneck worse. What could go wrong? Things that make you go hmmm. (By the way, this is **not** to say we're against investing in improved infrastructure that will make this nation more durable and competitive for generations to come. Instead, our concerns are about the sheer size and timing of this package, given the conditions we have discussed here and the knock on effects that could ensue).

**Financial Conditions have never been so easy.**

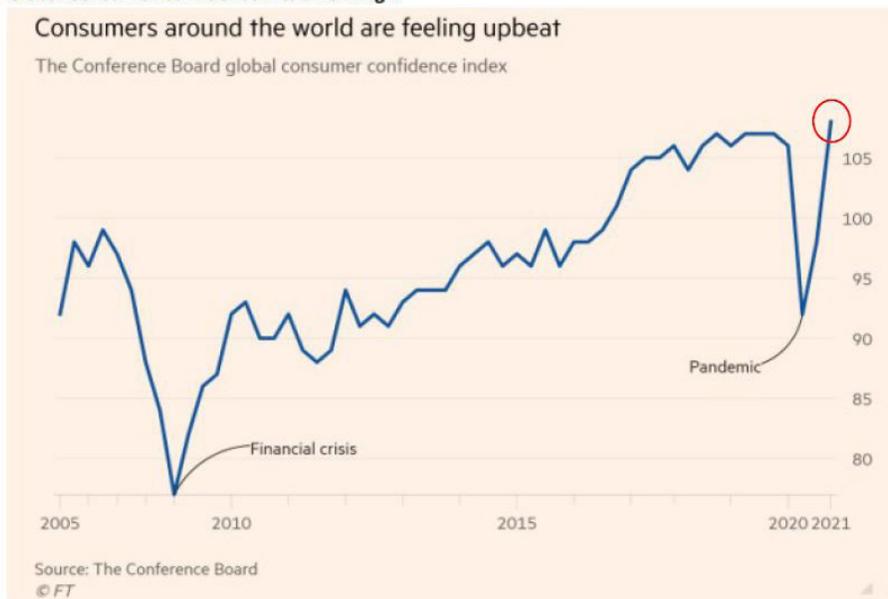


Source: Goldman Sachs

This is the classic definition of inflation. 'Too much money chasing too few goods.' Starter homes for a million dollars and can't build them fast enough? Yep! \$500,000 motorhomes running around the country and can't keep them in stock? Yep!

And finally, amidst all this, consumers are feeling very upbeat.

**Global Consumer Confidence hits a new high.**



Source: The Conference Board  
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I hope you all are feeling upbeat as well and as always, we will keep a watch out for things changing. Have a great week.

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