



# INCISIVE INVESTOR

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## WEEK IN REVIEW

# RECORD HIGHS AFTER JOBS REPORT

### Stock Market News



The Dow and the S&P 500 index ended at all-time highs Friday after the monthly U.S. jobs report came in better than expected, as the economy continues to recover from the COVID-19 pandemic and investors shake off delta variant concerns.

Consumer discretionary shares and technology stocks were hurt by a rise in long-dated benchmark bond yields and a rise in the U.S. dollar though, putting pressure on growth stock areas of the market.

The Dow Jones Industrial Average DJIA rose 144.26 points, or 0.4%, to a record 35,208.51. The S&P 500 index SPX added 7.42 points, or 0.2%, to a record 4,436.52. The Nasdaq Composite Index COMP fell 59.36 points, or 0.4%, to 14,835.76.

For the week, the Dow gained 0.8%, while the S&P 500 advanced 0.9% and the tech-heavy Nasdaq rose 1.1%.



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## Substantial increase for July US payrolls



The United States added 943,000 jobs in July which was stronger than originally forecasted. The unemployment rate declined to 5.4%. The payroll for the prior two months was upwardly revised by a robust 119,000. However, the July data were collected in the middle of the month, suggesting they may not fully reflect the impact of the fast-spreading Delta variant. Because the US Federal Reserve is debating the timing of tapering its asset purchases, today's report suggests investors could get a signal from Fed Chair Jerome Powell on when the pace of quantitative easing will be reduced. This will take place either at this month's Jackson Hole Symposium or the September meeting of the Federal Open Market Committee.

## US stocks top bubble prices

A noted Global Market Strategist points out that while US equities are trading at their second-highest cyclically adjusted P/E ratio in history, they look expensive by another metric: The total market cap of US stocks that trade at a price-to-book ratio of 20x or more is now \$4.5 trillion which is more than \$1.1 trillion higher than the 1999 prior peak. Furthermore, the total market cap of companies trading at more than 10x P/B is nearly \$10 trillion, almost double the 1999 level. For the sake of perspective, the S&P 500 Index trades at a P/B of 4.6x, well above its 30-year average of 3x.

## Inflows for global equities

According to research from Goldman Sachs, 40 weeks since positive vaccine developments became public in early November, there has been an astounding \$837 billion inflow into global equities. That's about \$21 billion a week or more than \$4.2 billion per day. Those inflows have produced 43 new all-time highs in the S&P 500 Index year to date and putting 2021 on pace to eclipse 1995's 77 all-time highs for the full calendar year. At the same time, retail options trading is on the rise once again with recent options trading volume averaging about 140% more than share trading volume. For the sake of perspective dan pre-pandemic, those levels averaged closer to 40%. Goldman also notes that most of the action is in very short-dated options (under two weeks to expiry), highlighting their theoretical nature.



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## SEC zeroes in on crypto

The SEC said that Chinese companies will need to disclose more about their structures and their contracts with the Chinese government before listing in the US. In the address, he called on Congress to help protect the public from fraud and asked for more authority to ensure that products and platforms do not fall between regulatory cracks.

## This week in China

The SEC said that Chinese companies will need to disclose more about their structures and their contracts with the Chinese government before listing in the US. Chinese regulators called for closer communication with the US over market controls, adding that China will support overseas listings and improve policy transparency. Late in the week, the Wall Street Journal reported that China's regulatory clampdown may be in an early phase. The Chinese Communist Party is pushing private companies to align more closely with its goals, paying little regard to the concerns of global investors.

## EARNINGS NEWS

With nearly 90% of the constituents of the S&P 500 Index having reported for Q2 2021, blended earnings per share (which combines reported data with estimates for those that have yet to report) shows that earnings growth is running at an amazing 88.7%. According to data from FactSet Research, sales grew 24.7% compared with the same quarter a year ago. Nearly 87% of companies have beaten expectations this quarter.

## HEADLINERS



On Thursday, US President Joe Biden signed an executive order aimed at making half of all new vehicles sold in 2030 electric. The measure is supported by US automakers and unions.

The S&P 500, Nasdaq 100, and Stoxx 600 indices all closed at record highs on Thursday.

On Wednesday, the US Centers for Disease Control and Prevention issued a new 60-day eviction moratorium in areas with high levels of coronavirus infection despite legal challenges. President Biden expressed doubts about the legality of the move but said it buys time for renters in arrears as legal challenges make their way through the courts.

The bipartisan US infrastructure package continues to work its way through the Senate and may be put to a vote early next week. The Congressional Budget Office reported on Thursday that if enacted, the plan would add \$250 billion to the deficit over 10 years.



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## MAJOR STOCK MOVES

Groupon shares GRPN fell 14.1% even after the deals platform easily beat earnings forecasts.

Yelp YELP shares rose 5.2% after the online reviews site reported a surprise profit and a lift to its annual guidance.

Zynga ZNGA stock tumbled 18.2% as the videogame publisher's outlook overshadowed results that topped Wall Street estimates.

Novavax NVAX shares slid 19.6% as the biotech reported a wider-than-expected loss on the quarter, and said it push back submitting its COVID-19 vaccine to the Food and Drug Administration for emergency use authorization until the fourth quarter.

Shares of Sphere 3D Corp. ANY soared 41.3% on heavy volume to pace after the stand-alone storage and technologies company announced an agreement that provides a six-month exclusive right to assume all of Hertford Advisors Ltd.'s rights to bitcoin mining agreements.

Shares of DraftKings Inc. DKNR rose 2.2% after the sports betting company raised its full-year revenue outlook, but the company disclosed an investigation by the Securities and Exchange Commission concerning allegations over "black-market gaming" and money laundering made by short-seller Hindenburg Research.

Shares of Moderna Inc. MRNA slipped 0.6% after the biotechnology company with one of the three COVID-19 vaccines granted emergency use authorization in the U.S. was downgraded by a longtime bullish analyst, saying that "the dream is alive, but valuation moves us to the sidelines."

Shares of Goodyear Tire & Rubber Co. GT rose

6.6% after the tire maker reported a second-quarter profit that was double what was expected, with revenue from all geographic regions topping forecasts, as the negative effect on demand from the COVID-19 pandemic "moderated significantly."

Shares of Norwegian Cruise Line Holdings Ltd. NCLH rose 2.9% after the cruise operator reported a narrower-than-expected second-quarter loss but revenue that was a bit light and cash burn that topped guidance.

Cinemark Holdings Inc. CNK posted a net loss of \$142.5 million, or \$1.19 per share, for the second quarter, narrower than the loss of \$170.4 million, or \$1.45 a share, posted in the year-earlier period. Revenue came to \$294.7 million, up from just \$9.0 million a year ago when theaters were closed for the pandemic. Its stock rose 1.9%.

Shares of Lear Corp. LEA declined 0.1% after the auto seating and electronics systems company reported second-quarter profit that beat expectations, revenue that nearly doubled but was shy of forecasts and cut its full-year outlook citing the impact of semiconductor and component shortages.

Gannett Co. Inc. shares GCI jumped 14.2% after the USA Today parent posted a surprise profit for the second quarter as revenue topped estimates.

The U.S. Postal Service reported Friday's fiscal third-quarter losses that widened to nearly \$3 billion, with revenue rising 4.8% but expenses growing 8.3% amid higher transportation costs.

Canopy Growth Corp. shares CGC gained about 0.1% in U.S. trading after the Canadian cannabis company posted a profit for its fiscal first quarter, thanks to non-cash fair value changes in some of its holdings of more than C\$600 million (\$479.9 million).

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