

Good morning!

The same thing that keeps Fed Chairman Jay Powell up at night, is the same thing that causes a money manager to lose sleep. Both are on the lookout for “what can go wrong?” In 2021, the two main concerns that dominate their thinking are “inflation” and “growth.” Is “inflation” rising, causing the robust consumer spending that has propelled the US economy forward to finally stall out? Or is “growth” slowing, as the reality that the massive Fed stimulus will not go on forever and that trillions of new government debt may eventually have to be repaid by future generations? Another valid possibility – “inflation” slows down, and “growth” continues unabated (source: BTN Research).

The Treasury Department reset our nation’s debt ceiling limit yesterday (Sunday 8/01/21) to the level of our government’s outstanding debt as of that date, i.e., approximately \$28.5 trillion. The government will now be forced to take “extraordinary measures” to borrow any new funds without “breaching” the newly established debt ceiling limit. Ultimately our government will run out of money, mostly likely in “October or November,” unless the debt ceiling is raised yet again. Republicans may try and “trade” spending reforms in exchange for their support of a higher debt ceiling (source: CBO).

The bipartisan infrastructure plan that Congress is debating entails \$1.18 trillion in total spending, including \$630 billion of infrastructure improvements that were already scheduled to take place plus \$548 billion of new proposed spending (source: Congress).

Notable Numbers for the Week:

1. **MEDICAL CARE DELAYED LAST YEAR** - The 4 largest publicly held health insurance companies in the United States reported \$31.8 billion in profits for 2020, up +20% from their financial performance in 2019 (source: Financial Times).
2. **WHO OWNS, WHO RENTS** - In the last 5 years, the number of “owner” households has increased by more than 8 million while the number of “renter” households has declined. The number of “owner” households has increased from 74.4 million as of 6/30/16 to 82.5 million as of 6/30/21. The number of “renter” households has fallen from 43.9 million as of 6/30/16 to 43.6 million as of 6/30/21 (source: Census Bureau).
3. **BUYERS MUST MOVE QUICKLY** - 56% of the existing US homes that went on the market for sale in June 2021 that have already secured a buyer were sold for more than the original asking price (source: Redfin).
4. **WILL NEED A LOT OF NEW BATTERIES** - The sale of electric vehicles (EV) is forecasted to exceed the sale of gas-powered vehicles in Europe within 7 years (by 2028), within 12 years (by 2033) in China, and within 15 years (by 2036) in the United States (source: Ernst & Young Global Limited).

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08/02/21 Monday