



In this week's Highlights, Ryan Grabinski discusses how the more timely economic data is mixed, mail-in ballots may delay the election results, and higher budget deficits historically meant higher equity returns.

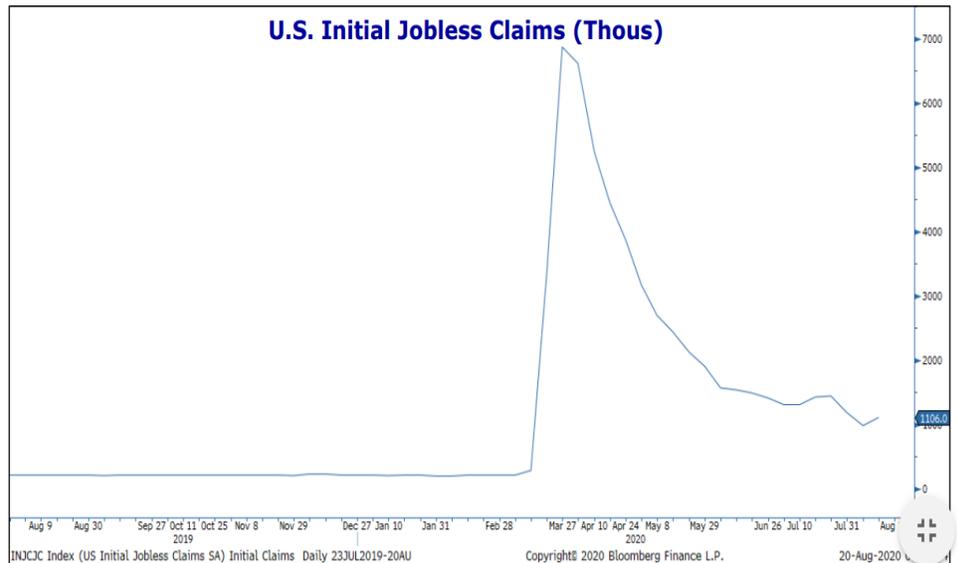


Ryan Grabinski
Equity Strategist

rgrabinski@strategasrp.com

More Timely Data Showing Mixed Signs

- The jobless claims headline, now back above 1 million, is negative, though the details of the report are not as weak as the headline. Still, the U.S. economy is not on solid footing, with claims remaining elevated months after the global lockdown. Today's package of data is likely to turn attention back to the fiscal stimulus negotiations in D.C. (which have been stalled).

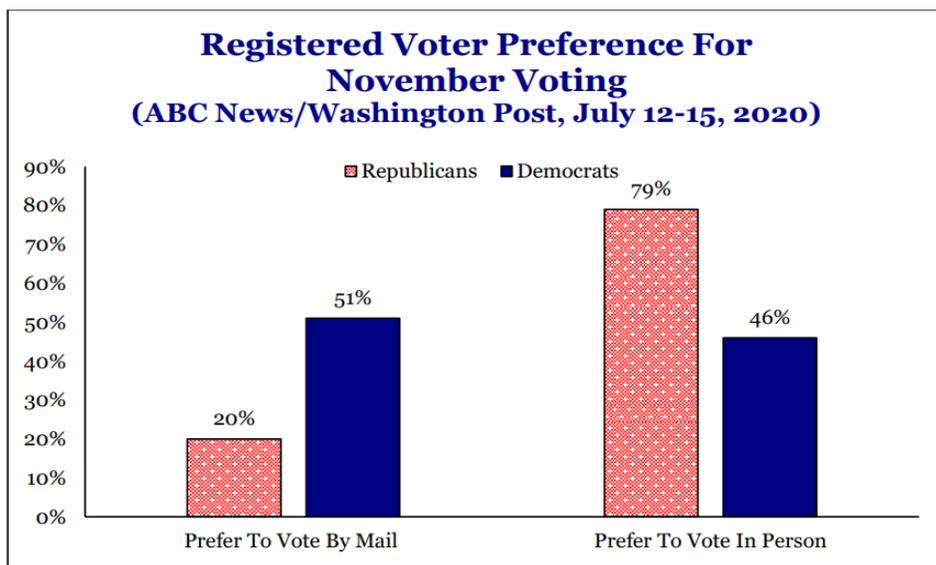


- U.S. housing starts surged +22.6% m/m in July, rising to a 1.5 million SAAR. Single unit permits rose +17.0% m/m on top of roughly 12% gains in each of the prior two months. Gains were broad-based across regions.

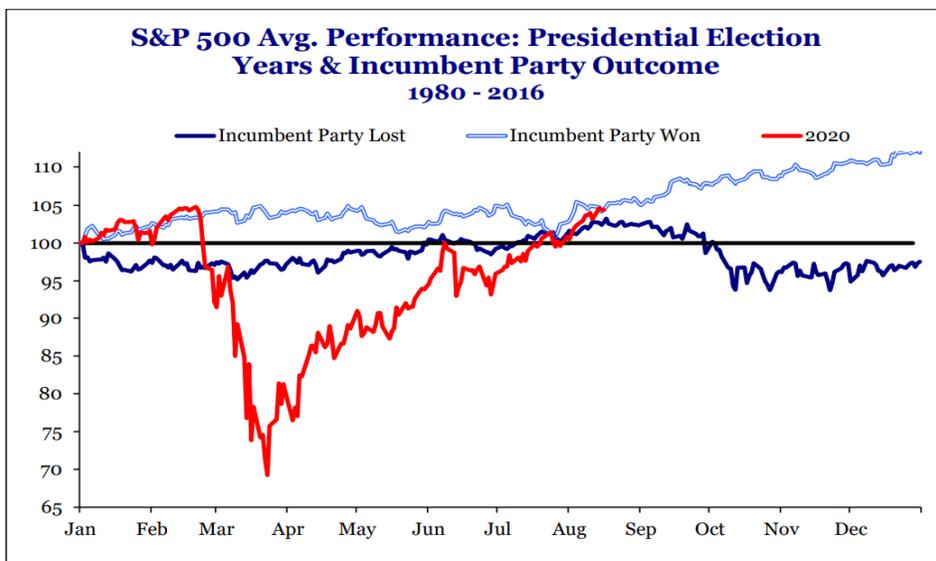


Mail-In Ballots Might Result In Unknown Election Outcome

- Another potential issue is that the volume of mail-in ballots may mean that we will not know the outcome of the presidential election on election night this year, as these votes constitute a larger percentage of the vote. Recent primaries foreshadowed this possibility: In Pennsylvania’s June 2nd primary, the governor extended mail-in vote counts for certain counties, and a judge extended it in another county because of staffing concerns amid the COVID-19 pandemic and the protests. It took more than a week to get the full results.

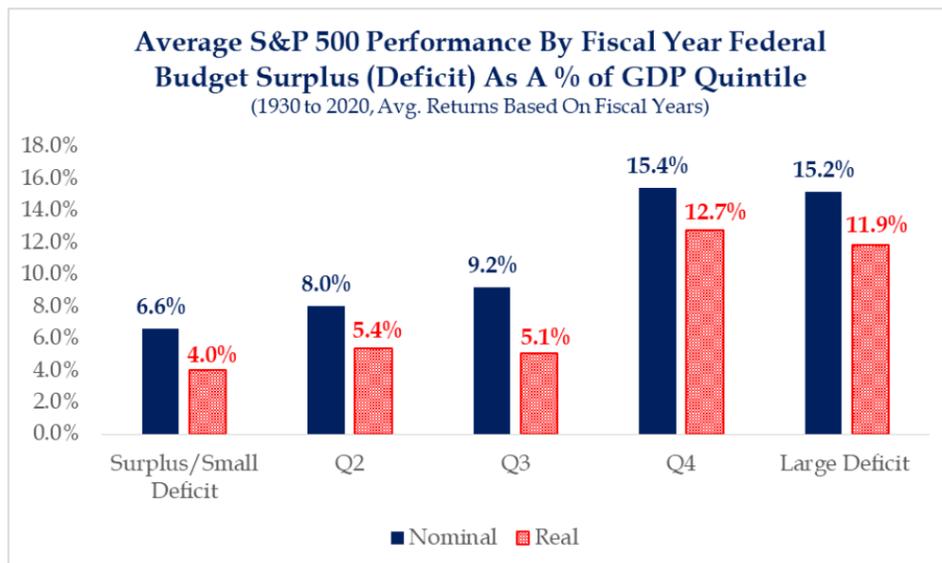


- Historically, equities have sold off starting in September if a new political party is expected to take over. The bottom line is that investors should expect more volatility as November approaches.

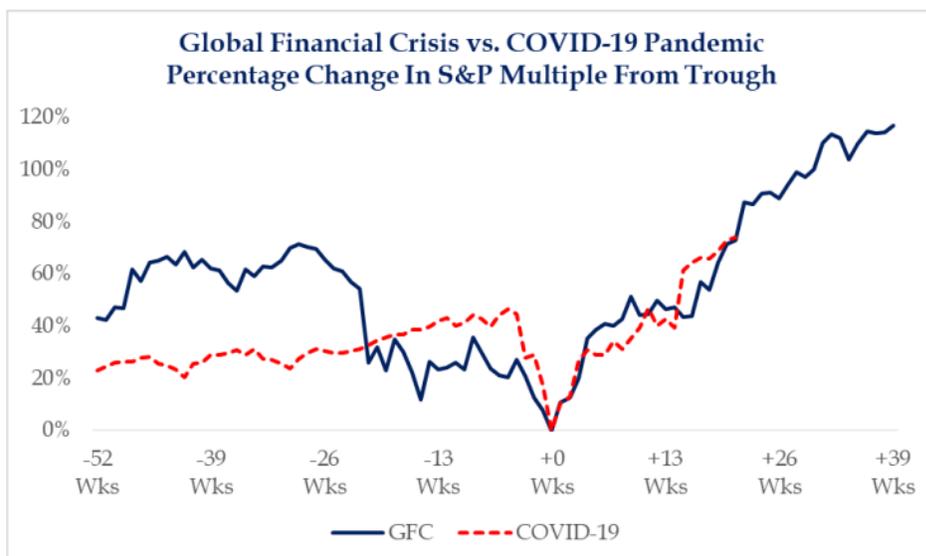


Higher Budget Deficits Associated With Higher Returns

- Even if a scalable vaccine were available to inoculate the general population today, stepping off the merry-go-round of fiscal stimulus would be very difficult (as well as politically risky) any time soon. With such a concept in mind, we decided to take a look at market returns and budget deficits in the United States. From 1930 on, there is little doubt that higher budget deficits are associated with the highest nominal and real returns.



- Since the trough in multiples during the week of March 20, the rebound we have seen is very similar to the rebound that was seen during the Financial Crisis. Over the last 21 weeks, multiples have expanded 74%, while in the 21 weeks following the GFC bottom, multiples grew 73%.



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