

MINT MARKET MONTHLY



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June 2021 - A recap of recent financial and economic market activity.

JBS, the world's largest meat producer, has made "significant progress" to resolve the cyberattack that hit its global operations and will have the "vast majority" of its plants operational. The cyberattack forced the shutdown of all of JBS's U.S. beef plants, which account for almost a quarter of American supplies.

Etsy Inc., the online marketplace for crafts and vintage items, is buying second-hand fashion app Depop for \$1.63 billion as it seeks to expand its customer base and attract younger users.

Taiwan Semiconductor Manufacturing Co. said it's moving forward with plans to build a \$12 billion chip plant in Phoenix, a step toward addressing U.S. concerns over reliability and security in the tech supply chain.

The Federal Reserve Board plans to begin gradually selling a portfolio of corporate debt purchased through an emergency lending facility launched last year, as the Covid-19 pandemic was spreading panic through financial markets.

U.S. businesses in May added the most jobs in nearly a year, suggesting companies are making headway filling a record number of vacancies as the economy strengthens. The 978,000 increase in private payrolls was the largest since June 2020 and reflected a large pickup in hiring in the leisure and hospitality industry, according to ADP Research.

U.S. service providers expanded at the fastest pace on record in May, highlighting the rapid improvement in business activity across the economy.

Apple Inc. is working on a new iPad Pro with wireless charging and the first iPad mini redesign in six years, seeking to continue momentum for a category that saw rejuvenated sales during the pandemic.

Vivendi SE is in talks to sell 10% of Universal Music Group to a blank-check firm backed by billionaire Bill Ackman while it prepares to spin off most of the world's biggest music company. The potential transaction would value the home of Taylor Swift, Drake and Billie Eilish at 35 billion euros (\$42.4 billion) including debt, Vivendi said in a statement.

Blackstone Group Inc. has struck a roughly \$6.7 billion deal to buy QTS Realty Trust Inc. and take the data-center operator private.

Biogen Inc. surged after its controversial Alzheimer's disease therapy was approved by U.S. regulators, a landmark decision that stands to dramatically change treatment for the debilitating brain condition.

The U.S. recovered almost all the Bitcoin ransom paid to the perpetrators of the cyber attack on Colonial Pipeline Co. last month in a sign that law enforcement is capable of pursuing online criminals even when they operate outside the nation's borders. U.S. officials said Monday that they captured about 63.7 Bitcoin traced to recipients of a 75-Bitcoin ransom paid by Colonial soon after the early May attack that resulted in a shutdown of the nation's largest gas pipeline. The shutdown had caused fuel shortages across the east coast just ahead of the Memorial Day weekend.

Ford Motor Co. is betting that by going small it can score big with the import crowd, pricing its new Maverick compact pickup truck at less than \$20,000 and powering it with a standard gas-electric hybrid propulsion system. With the average price of a new car now topping \$40,000, Ford CEO Jim Farley has long said he wanted vehicles that appeal to younger, entry-level buyers who have been priced out of the market. As part of that effort, this fall Ford will start selling the small, four-door truck.

The Senate passed an expansive bill to invest almost \$250 billion in bolstering U.S. manufacturing and technology to compete with China.

The U.S. State Department loosened travel warnings for dozens of nations including France, Canada and Germany, in a move that could ease airline restrictions for people wanting to go overseas as the pandemic wanes in developed countries.

For almost three years, criminals used a network of encrypted devices to share the dirty details of their smuggling and money laundering operations. The FBI was in cahoots with the developer of the device, called "Anom," the whole time, and announced a series of successful busts and 800+ arrests under the code name Operation Trojan Shield. They also seized: Eight tons of cocaine and 22 tons of cannabis; 55 luxury vehicles; 50 firearms; \$48+ million worth of various currencies and cryptocurrencies.

Prices paid by U.S. consumers rose in May by more than forecast, extending a months-long buildup in inflation that risks becoming more established as the economy strengthens. The consumer price index climbed 0.6%, the second-largest advance in more than a decade. Though distorted by the pandemic, the CPI jumped 5% from a year ago, the largest annual gain since August 2008, according to Labor Department data.

A proposal backed by Republicans including Mitt Romney and Democrats including Joe Manchin agreed to pitch a \$1.2 trillion eight-year infrastructure spending package to the president, according to people familiar with the deliberations. The scaled-down proposal is limited to core physical infrastructure and omits the social programs such as elderly care Biden included in his "American Jobs Plan," the people said. Republican and Democratic senators said Thursday they're open to considering the first change in the national gasoline tax since 1993 to help fund a bipartisan infrastructure spending package they plan to propose.

Washington Prime Group Inc., a real estate investment trust that operates enclosed malls and strip centers across the U.S., filed for bankruptcy after the Covid-19 pandemic curtailed in-person shopping.

As the summer travel season approaches, TSA is advising passengers to arrive at the airport with sufficient time to accommodate increased screening time as traveler volumes are expected to approach, and in some cases exceed pre-pandemic levels at certain airports.

Benjamin Netanyahu's 12-year run in power was terminated as Israel's parliament voted in a disparate coalition that pledged to put aside conflicting political ideologies in order to focus on national imperatives like charting an economic recovery from the coronavirus pandemic.

The U.S. and the European Union agreed to a five-year truce in their 17-year dispute over aircraft subsidies to Airbus SE and Boeing Co. that saw the allies impose tariffs on \$11.5 billion of each other's exports.

Lumber has been the talk of the commodities markets in recent months after surging prices caused issues for homebuilders and renovators. Over the past year lumber is up over 175%.

The PPI, which tracks changes in production costs, has surged in recent months. Elevated materials prices and shortages paired with shipping bottlenecks and rising labor expenses have enlarged production costs.

U.S. retail sales declined in May, after a stimulus-related splurge in the prior two months, suggesting consumers are starting to shift more of their spending to services as the economy reopens.

Blackstone Group Inc. has agreed to buy a company that buys and rents single-family homes in a \$6 billion deal that's a sign Wall Street believes the U.S. housing market is going to stay hot. The giant investment firm has reached a deal to acquire Home Partners of America Inc., according to people familiar with the matter. Home Partners owns more than 17,000 houses throughout the U.S., which it bought, rents out and offers its tenants the chance to eventually buy. U.S. home sales soared last year at their fastest pace in 14 years, when low mortgage rates and the rise of remote work during the pandemic sent buyers scrambling to find larger living spaces.

The Fed is ready to use the monetary policy tools at its disposal, but for the time being the conditions support holding steady on interest rates and monthly bond purchases. -Jerome Powell

Sales of previously owned U.S. homes fell for a fourth straight month in May as higher home prices and lean inventories weighed on home buying.

S&P 500 companies have approved plans for a whopping \$567 billion worth of stock buybacks since the beginning of the year through mid-June, according to a new Goldman Sachs report. This is a record for this part of the year. It's worth noting that Apple and Alphabet accounted for \$90 billion and \$50 billion, respectively, of those announcements.

The global oil market is calling out for a substantial increase in supplies, but OPEC+ is expected to provide only a fraction of what consumers are demanding. International crude prices have soared to a two-year-high above \$75 a barrel as demand bounces back from the pandemic slump.

Orders for U.S. durable goods rose in May at the fastest pace since January, bolstered by a sizable gain in orders for commercial planes.

Rockwell Automation Inc. is acquiring closely held Plex Systems for \$2.22 billion in cash to boost its offering of cloud services to customers ranging from automakers to warehousing and logistics firms.

Nike Inc. shares soared after the company projected that revenue this fiscal year will surpass \$50 billion for the first time, benefiting from rebounding growth in North America.

Morgan Stanley led big U.S. banks in raising payouts to investors by doubling its quarterly payout while also announcing as much as \$12 billion in stock buybacks. Wells Fargo, announced an \$18 billion buyback program and doubled its dividend to 20 cents. Goldman Sachs said it was boosting its quarterly payout 60% to \$2 a share, effective Oct. 1, according to a statement. JPMorgan is raising its dividend to \$1 from 90 cents, and said it continues to be authorized to repurchase shares under a previous plan. Bank of America will increase its dividend 17% to 21 cents, subject to board approval, according to a statement from the bank. Citigroup was an outlier among the big banks, holding its dividend steady at 51 cents a share, where it's been for almost two years. The bank will also be "continuing with our planned capital actions" regarding share repurchases, CEO Jane Fraser said in a statement.

United Airlines is overhauling its fleet with the biggest jetliner order in company history and an ambitious upgrade for its aircraft cabins, bolstering a push to appeal to more travelers willing to pay for pampering. The airline agreed to buy 200 Boeing 737 Max jets and 70 Airbus SEA321neo planes, a deal valued at about \$15 billion based on estimates by aircraft appraiser Ascend by Cirium.

Nasdaq is launching a new tool for investors to assess environmental, social and governance factors, tapping into growing demand for sustainability data and rankings.

U.S. consumer confidence soared in June to a fresh pandemic high as Americans became more upbeat about the economy and job market. The Conference Board's index increased to 127.3 from an upwardly revised 120 reading in May.

Chinese ride-hailing giant Didi Global Inc. has raised about \$4.4 billion after pricing its U.S. initial public offering at the top of a marketed range and selling more shares, according to people familiar with the matter.

We wrapped up the first-half with a 14.4% gain in the S&P 500, the strongest since 2019's 17.4% advance, which was the most since 1998. The Dow Jones Industrial Average is up 12.7% for the first six months of the year, while the Nasdaq Composite is up 12.5%.

MKS Instruments Inc., a maker of equipment for the chip industry, agreed to acquire specialty chemicals group Atotech Ltd. for about \$5.1 billion in cash and stock.

Krispy Kreme Inc. priced its U.S. initial public offering below a marketed range to raise \$500 million, short of the \$640 million it had sought. The company said in a statement Wednesday that it sold more than 29 million shares for \$17 each.

We would continue to recommend a diversified equity allocation with a barbell approach that has Growth exposure on one end, and Economically Sensitive Cyclical exposure on the other end. We would prefer to see the growth exposure expressed in three thematic ways: 5G; Security software; and Cloud computing. On the cyclical side we would look for exposure to Financials; Industrials; Materials; and Energy. We would suggest rebalancing the equity allocation every two months to keep the barbell level.

Our year-end target for the S&P 500 is 4400, which represents 18.5% 12-month return, and is based on a 23 multiple of the \$192 earnings we see for the large cap index over the calendar year.

**Information sourced from Art Hogan's Morning Commentary, Chief Market Strategist at National Securities. Contact us at 732-807-2340 for more details or to read Art Hogan's full Morning Commentary on a particular topic mentioned.*

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