

BOW BECKER WEALTH MANAGEMENT, LLC

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A slow news week with a light economic calendar.

Markets didn't have too much to digest last week with a fairly light economic calendar, summer volume, and no material policy actions.

Market internals illustrated clearly again last week the link between bond prices and technology stocks - with a clear and convincing positive correlation between the two. The S&P 500 managed a third consecutive weekly increase, closing the week at a new record high. Healthcare, real estate, and the tech complex led the way while the cyclicals lagged. Oil closed over \$70/bbl but losses in grains and precious metals pushed commodity indices into the red for the week. The yield curve flattened a good deal with the long end falling 8bps-9bps and the USD caught a bid, rising 0.46% last week.

Market Anecdotes

- The 10yr UST yield has fallen four consecutive weeks, closing last week at 1.47%. Longer maturity yields are falling sharply as well with the 30-year yield down 25 basis points over the past month.
- A look at real U.S. Treasuries yields so far in 2021 has 5 year yields falling from -1.62% to -1.67 and 10 year yields rising from -1.08% to -0.85%, a real yield steepened despite the notable CPI reading for May.
- Much of the debate surrounding the transitory nature of inflation data is whether and how much current increasing demand and supply chain issues will persist (plausible, yes - likely, no).
- The May CPI reading delivered quite a surprise in terms of the magnitude of the upside miss but stock and bond markets seemed to take the report very much in stride. For all the inflation concerns over tight labor markets, jammed supply chains, and supply/demand imbalances across a



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range of markets, the bond market continues to hold relatively sanguine views.

- Strategas noted outperformance of banks and underperformance of utilities amidst the sideways move in bond yields over the past two months as evidence of the market's belief the move higher in yields is not over.
- At least five Fed officials have publicly commented on the likelihood of tapering conversations at the upcoming Fed meetings this week. The Federal Reserve began unwinding its \$8.6 billion ETF holdings last week.
- Equity market volatility which remained fairly elevated, has continued to fall. Last week saw the VIX close below 16 for the first time since February 2020.
- The Stoxx Europe 600 notched a new record high last week and Bespoke made note that Europe to U.S. relative return ratio seems to have formed a base and broken its downtrend.
- Monday's self-imposed deadline for bipartisan infrastructure package negotiations by the Administration came and went. POTUS is now looking to a bipartisan group of Senators who have built out a framework for \$1.2t in spending over eight years.

- Ned Davis took a long term look at the rare triple tax hike currently proposed by the Administration.
- March was the peak month for fiscal stimulus with \$445b in direct payments - a very important trend marker. Four states end their \$300/week boosts this week and 21 more follow next week.
- The G-7 meetings over the weekend included finance ministers endorsing an excess profits tax and a minimum tax of 15 percent on income earned by a company outside of its home country.

Economic Release Highlights

- The May NFIB Small Business Optimism Index registered a modest decline and fell short of consensus estimates (99.6 vs 100.7).
- April's JOLTS report again had job openings coming in significantly higher than forecasted (9.286m vs 8.045m).
- The May CPI report left inflation very elevated with headline and core MoM readings of 0.6% and 0.7% respectively and YoY readings of 5% and 3.8%.
- The June University of Michigan Consumer Sentiment report recovered slightly from last month's drop, coming in at 86.4 vs 84.0.

INSIGHT

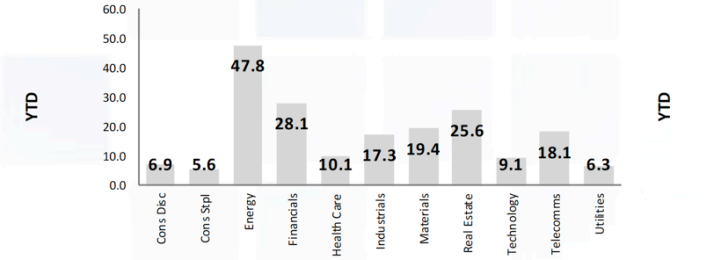
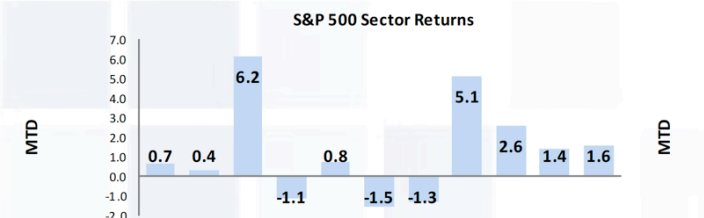
MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	3/31/21	12/31/20	9/30/20
Dow Jones	34480	(0.78)	0.88	6.63	13.65	39.98	Oil (WTI)	69.21	59.19	48.35	40.05
NASDAQ	14069	1.85	5.16	5.19	9.50	49.29	Gold	1890.60	1890.60	1887.60	1886.90
S&P 500	4247	0.43	2.46	8.21	13.84	43.73	Currencies				
Russell 1000 Growth	1.84	4.22	8.07	8.64	44.28		USD/Euro (\$/€)	1.22	1.17	1.23	1.17
Russell 1000 Value	(0.50)	1.27	7.46	18.71	47.29		USD/GBP (\$/£)	1.42	1.30	1.37	1.29
Russell 2000	2.18	5.94	0.12	18.73	74.11		Yen/USD (¥/\$)	109.42	109.42	103.19	105.58
Russell 3000	0.75	2.93	7.21	13.83	47.79		Treasury Rates				
MSCI EAFE	0.34	3.61	7.86	11.93	35.83		3 Month	0.03	0.03	0.09	0.10
MSCI Emg Mkts	0.09	4.24	2.39	7.92	42.41		2 Year	0.16	0.16	0.13	0.13
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	5 Year	0.76	0.92	0.36	0.28
US Aggregate	1.95	(0.01)	(0.06)	(0.18)	(0.19)	(0.52)	10 Year	1.47	1.74	0.93	0.69
High Yield	4.67	(0.02)	(0.12)	(0.33)	(0.44)	(1.09)	30 Year	2.15	2.41	1.65	1.46
Municipal	1.84	(0.01)	(0.03)	(0.07)	(0.07)	(0.21)					

Style Returns

	V	B	G
L	0.26	1.20	2.18
M	0.71	1.30	2.49
S	2.85	2.97	3.12

	V	B	G
L	18.71	13.49	8.64
M	21.72	16.05	6.00
S	31.09	18.73	7.35



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