

Investment Solutions

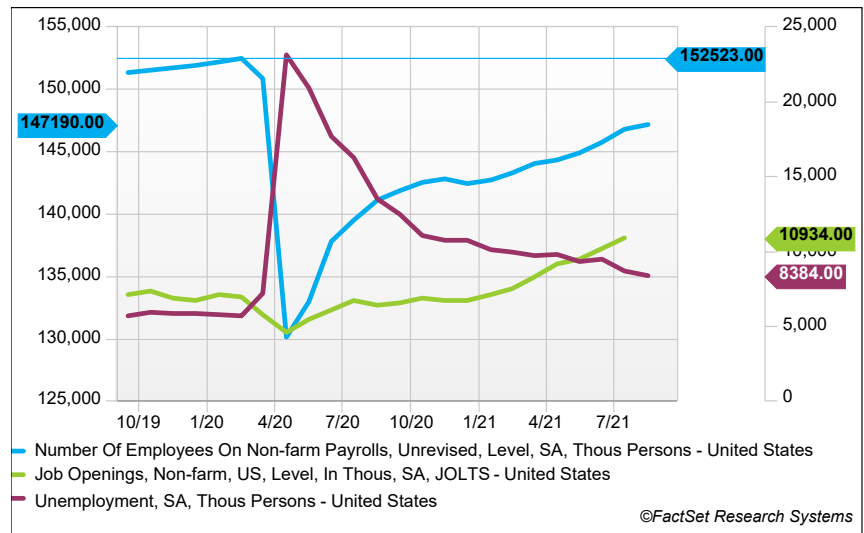
HIGHTOWER MARKET NOTE

with Stephanie Link

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Week of September 13, 2021

- 1. Current Non-farm Payrolls + Job Openings Exceed Pre-Pandemic Employment Levels.** Job openings in July soared to 10.93 million positions available, rising from June's 10.18 million job openings. Meanwhile, despite demand for labor, 8.7 million remain unemployed for the same July period (this compares to 5.7 million unemployed pre-pandemic).¹ As stimulus checks start to expire, we expect more people to look for employment, but likely not at the levels seen pre-pandemic. The bottom line is we've made progress on the unemployment levels but the jobs market remains tight. This is one reason wages have been rising – most notably the 4.3% annualized rate seen in August.
- 2. Glass Half Full or Half Empty?** Investors have been grappling with both viewpoints and last week appeared to accumulate more towards the pessimistic outlook. While we acknowledge that September seasonality favors more volatility, we don't see a big correction ahead. But should we see a pullback (which is completely normal), we are buyers as the tailwinds from stimulus, rates, and an easy Fed remain in place. Concerns center around Delta, peak growth, and supply chain issues. We agree about peak growth in GDP and earnings growth and stand by that thinking. But we also believe we will remain above trend in growth in GDP and earnings while valuations have become more attractive – especially the re-open and value sectors (financials, materials, industrials, semiconductors). As cases wane we expect these parts of the market to recover from the 20-30% declines seen since May. And so far, it appears Delta cases are peaking. Finally, the supply chain issues are something to watch and all the more important to find companies that have secured supplies and have pricing power. There is no doubt in our view, that inflation is real and not all



¹ Source: FactSet

transitory – led by wages and shelter costs. But we look for companies that have offsets, like pricing power and restructurings underway.

3. **Annualized Inflationary Pricing Continue to Rise.** Last week the government released the PPI numbers. The more important number is the Core PPI, which excludes food & energy, and that rose 6.7% annually. Again, the supply chains are to blame. This will eventually get resolved but may take longer than the Fed’s “transitory” commentary.
4. **Short Week, High Volume of New Issuances.** Post Labor Day week was historically busy in corporate bond issuance, as 52 deals were brought to the market through Thursday as companies tapped bond market financing before Fed tapering and after a slow August. Strong investor demand was observed in both the 30-Year Auction and the High-Grade debt that was issued leading to a relatively flat Treasury yield curve on the week. Municipal yields and High-Yield and Investment Grade spread were also all muted on a shortened week.
5. **Sustainable Airline Fuel (SAF) Gaining Traction.** The White House has set an official goal to reduce aviation emissions by 20% by 2030, and a fully zero-carbon aviation sector by 2050, placing further emphasis on a recent frenzy of partnerships and commitments by airlines and energy companies, alike. In order to achieve these goals, the government will provide up to \$4.3 billion in funding and increased R&D at NASA, FAA, and the DOD. The energy sector will need to provide the renewable fuel and have been increasingly investing in new operating facilities and agreements with airlines to start using the alternate fuels. SAF is the result of converting biomass, such as feedstock, into alternative fuel and reduces up to 80% of carbon emissions over its lifecycle, compared to traditional jet fuel.²

Return for Selected Indices³

Index Name	End of Week	% Change		
		Week	Month	YTD
S&P 500 INDEX	4,459	-1.68%	0.39%	19.89%
NASDAQ COMPOSITE	15,115	-1.61%	2.45%	17.84%
DOW JONES INDUS. AVG	34,608	-2.11%	-2.17%	14.63%
RUSSELL 1000 INDEX	2,502	-1.75%	0.39%	19.11%
RUSSELL 2000 INDEX	2,228	-2.80%	-0.92%	13.49%
FTSE 100 INDEX	7,029	-1.51%	-1.78%	12.01%
HANG SENG INDEX	26,206	1.29%	-1.20%	-1.45%
NIKKEI 225	30,382	4.30%	8.28%	11.66%

Index Name	YTW	Spread	Duration	% Change		
				Week	Month	YTD
U.S. TREASURY	0.89%		7.12	-0.02%	0.35%	-1.55%
U.S. AGGREGATE	1.44%	+55 bps	6.75	0.02%	0.41%	-0.74%
U.S. CORPORATE INV. GRADE	2.01%	+111 bps	8.75	0.11%	0.84%	-0.20%
U.S. CORPORATE HIGH YIELD	3.79%	+289 bps	3.71	0.11%	1.24%	4.85%
U.S. MUNICIPAL BOND INDEX	0.97%		4.83	0.00%	-0.14%	1.49%

² Source: [Air BP](#)

³ Source: Bloomberg

Stephanie Link: CNBC TV Schedule

DATE	SHOW	TIME
Tuesday, September 14	Fast Money Half Time	12:00 PM ET
Wednesday, September 15	Squawk Box	6:00 AM ET
Thursday, September 16	Closing Bell	3:00 PM ET

Disclosure

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