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Investment Institute

Market Commentary

Weekly perspective on current market sentiment **August 18, 2021**

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Last week's S&P 500 Index: +0.7%

Losing momentum?

Key takeaways

- The rise in Delta-variant COVID-19 cases has helped create some degree of headwind for the economic recovery.
- We continue to believe the economy is set to improve further and the increase in coronavirus cases is more manageable now than in 2020.

Financial markets rarely move long distances over an extended period of time in a straight line. There are starts and stops along the way with prices moving a few steps in the direction of the trend and then reversing a step or two. While our job as strategists is to figure out what the direction of the markets will be over a longer period of time and position investors accordingly, we spend a considerable amount of time focused on the more tactical six-to-18 month forward outlook. This shorter period of time allows us the potential to take advantage of intracycle opportunities that occur as markets drift between becoming overvalued or undervalued relative to the longer-term trend we are projecting.

To do this, we often rely on indicators that track progress in the economy. Historically, market analysts would typically rely on monthly data reported by the government that track consumer and business spending and consumption trends. Then these historical data would be subjected to statistical analysis that would attempt to predict how these indicators might combine to drive or create headwinds for economic growth looking ahead.

In the digital age, market prognosticators have been able to add a number of new tools to their analytical toolbox. Two that we find useful, the Apple Mobility Index (AMI) and restaurant reservation data compiled by OpenTable, can be categorized as "high frequency." These indicators are updated on a daily basis and can easily be found using any internet search engine. Like any other indicator, these are just a part of the economic puzzle that we try to put together to ultimately construct our forward view for the financial markets.

The AMI is constructed by counting the number of requests made to Apple Maps for directions. The data sets are then compared to reflect a change in volume of people driving, walking, or taking public transit. As the economy has continued to recover from the pandemic headwinds of 2020 and early this year, the index rose steadily as consumers started to leave their homes more frequently and resume some of their prepandemic activities. However, over the last six weeks, the index has stalled, likely related to Delta-variant COVID-19 concerns.

Data from OpenTable appears to reflect some of the same caution. This data looks at how many people dined in restaurants in 2021 as compared to the 2019 prepandemic period and is based on OpenTable network establishments. After steady improvement (more seated guests relative to 2019) into the middle portion of this year, there has been a stall, some of which is also likely related to a rise in Delta-variant cases.

These indicators show that there has been some loss of momentum in the pace of the recovery, but even some deceleration should leave a strong rate of consumer spending, and we continue to lean into the asset classes and sectors that we believe will benefit from ongoing recovery.

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Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

Definitions

Apple Mobility Index measures the number of requests made to Apple Maps for directions in select countries/regions, sub-regions, and cities. Data that is sent from users' devices to the Maps service is associated with random, rotating identifiers so Apple doesn't have a profile of your movements and searches. The availability of data in a particular country/region, sub-region, or city is based on a number of factors, including minimum thresholds for direction requests per day. An index is unmanaged and not available for direct investment.

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