

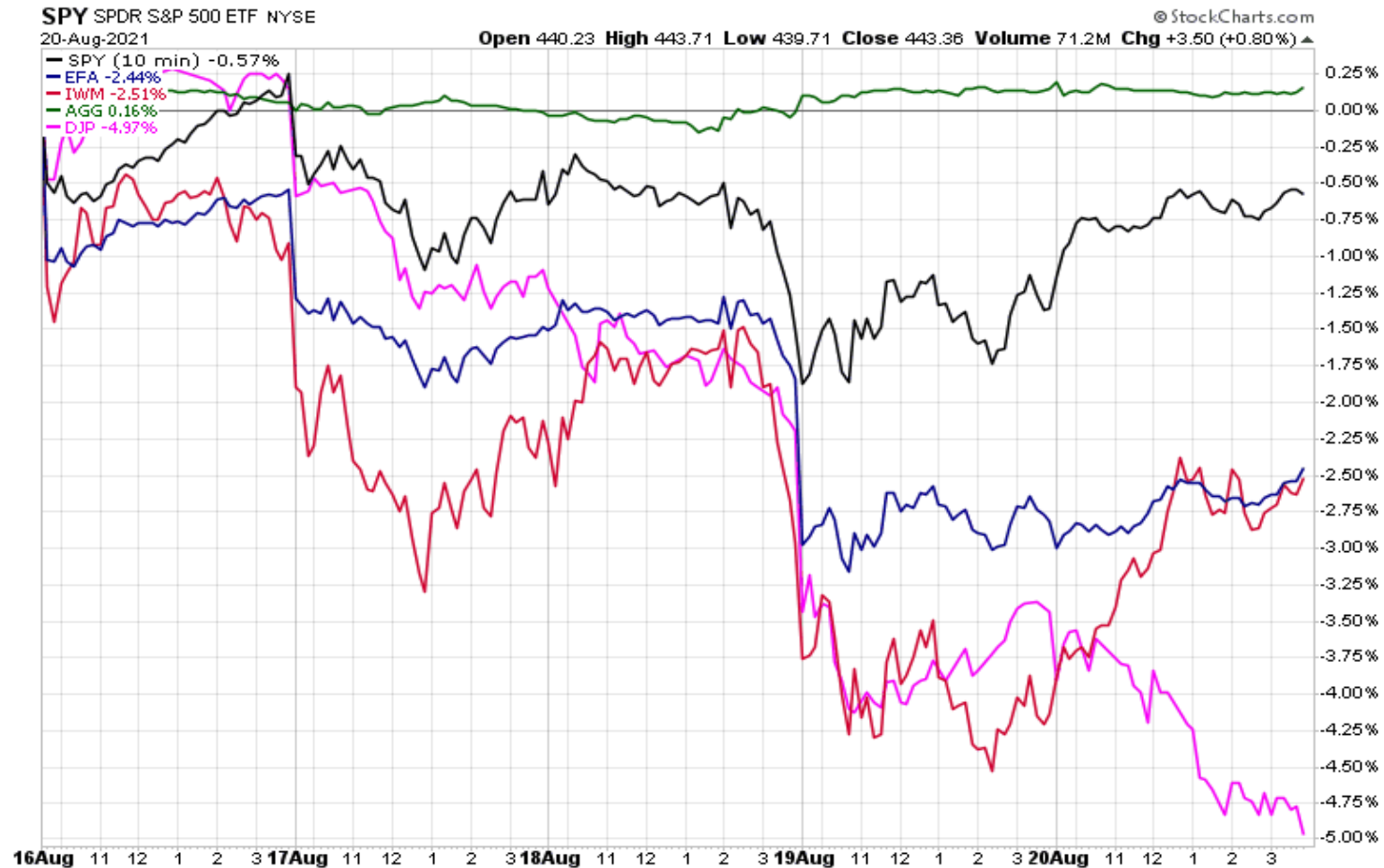


Two Minutes With Todd

Supporting Charts + Commentary

August 23rd, 2021

Last Week's Performance



US Total Mkt Bonds

US Large Stocks

International
Developed Mkt Stocks

US Small Company
Stocks

Commodities

In a continuation of last week's performance trend, small company stocks (red), led global equity markets lower. Broad commodities (pink) performed poorly as some investors were pricing in that the COVID Delta variant could be negatively impacting economic growth.

Chart #1: Economic Data Isn't Trailing Off Yet

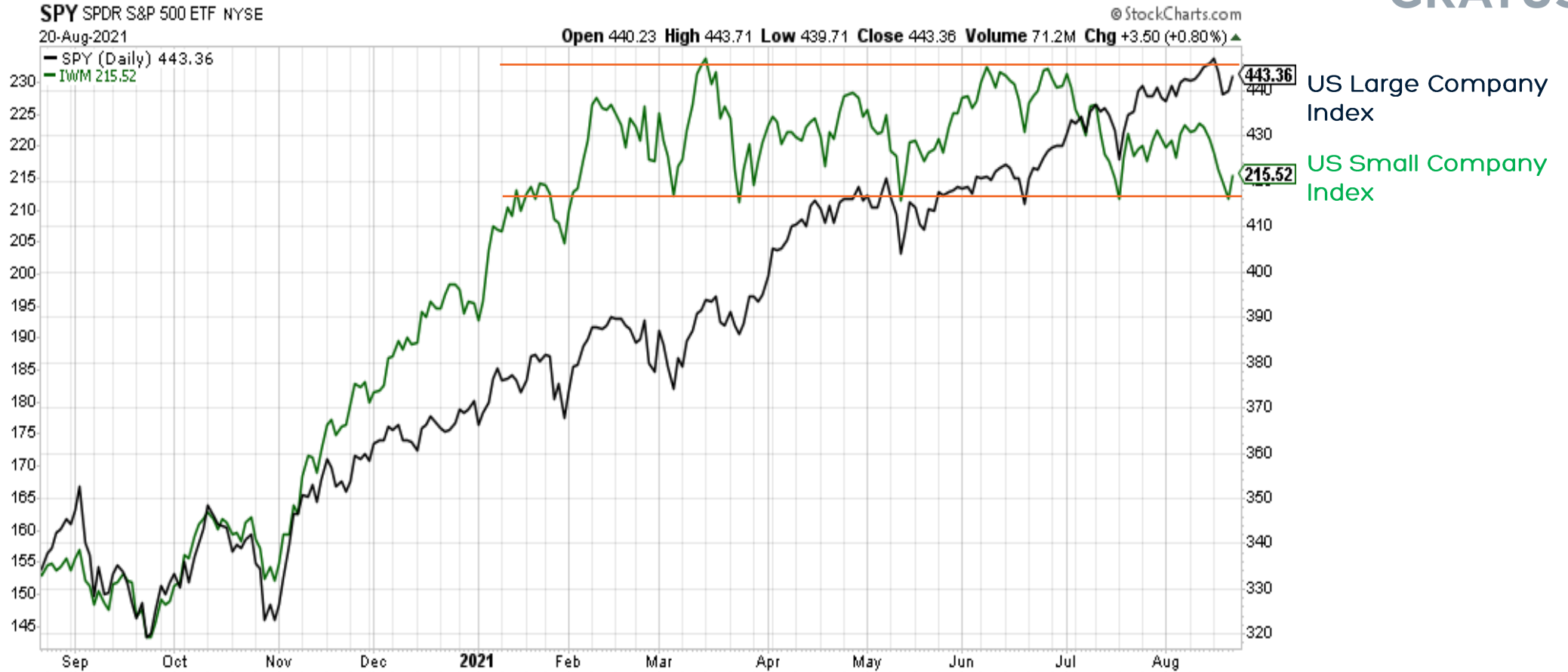


Leading Economic Index (LEI) Components

	Weight	July '20	Aug '20	Sep '20	Oct '20	Nov '20	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	June '21	July '21
Weekly manufacturing hours worked	28%	▲	▲	▬	▲	▼	▲	▲	▼	▲	▬	▬	▼	▲
ISM index of new orders	16%	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Consumer expectations	14%	▼	▼	▬	▬	▼	▼	▼	▼	▲	▲	▲	▲	▲
Yield spread	11%	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
New orders of consumer goods and materials	8%	▼	▼	▬	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Leading credit index	8%	▼	▼	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
New orders of nondefense capital goods	4%	▼	▼	▼	▼	▼	▼	▼	▬	▲	▬	▼	▲	▲
Stock prices	4%	▲	▲	▼	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Weekly unemployment claims (inverted)	3%	▲	▲	▲	▲	▲	▼	▼	▲	▲	▲	▲	▲	▲
Building permits	3%	▲	▼	▲	▬	▲	▲	▲	▼	▲	▲	▼	▼	▲

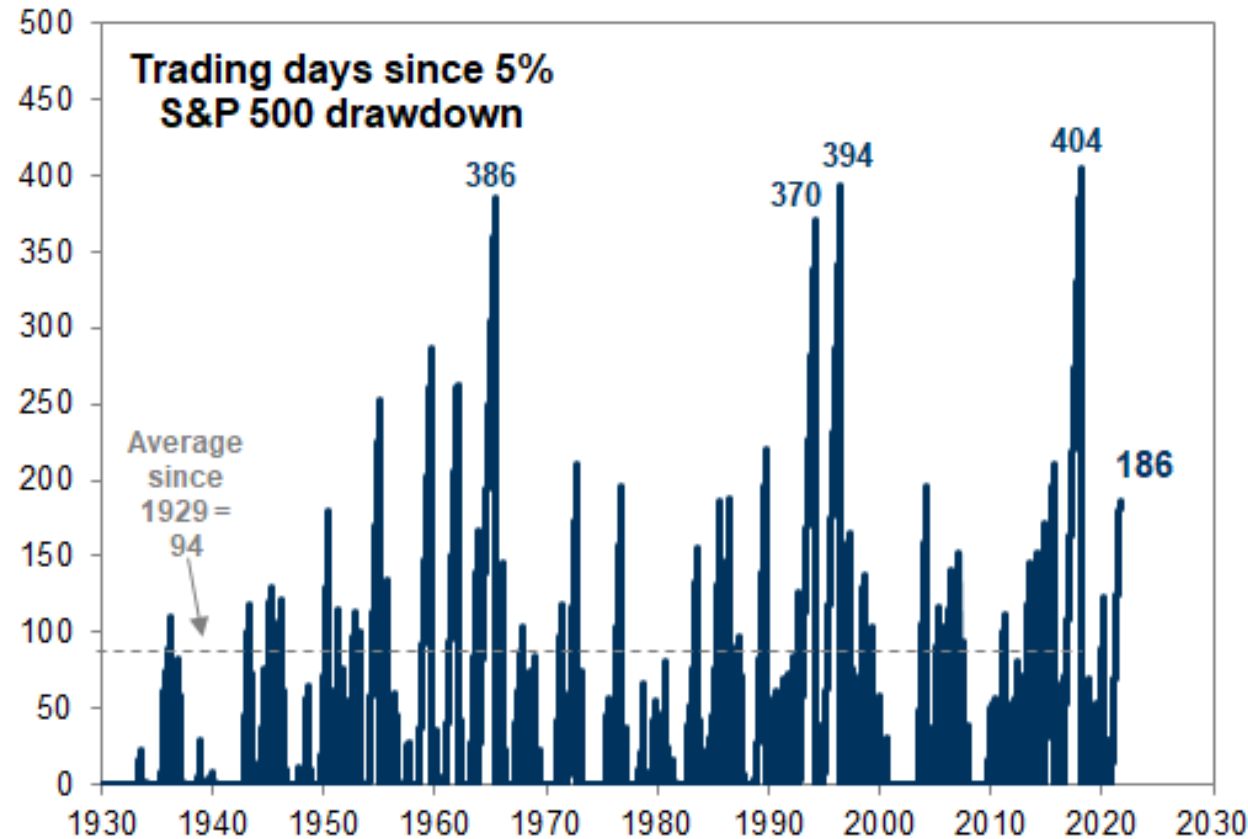
Despite some indicators showing a slowdown in consumer activity (retail sales, consumer sentiment), the leading economic index (LEI) suggests otherwise. The LEI remains one of our favorite indicators to follow as market turbulence tends to follow weak readings in the LEI by ~6 months.

Chart #2: Small Caps Trading Sideways



We reflected on the divergent performance between US and emerging market stocks last week, and this week we are touching on small company performance. Up until a few weeks ago, small companies led the market up. Now they are trading sideways.

Chart #3: We Are Due For A Drawdown



While economic data isn't suggesting a steep pullback in activity, markets can act differently than economies over shorter period of time. While we certainly could make it to the +370 trading day range, we are in a zone of when pullbacks naturally occur.

Appendix

Correction / Recession Indicators



Commodities Trend (3M) ¹	Up	
High Yield Credit Spreads (579 bps ave) ²	342	
BBB Credit Spreads (172 bps ave) ²	117	
Yield Curve 10yr – 3M (175 bps ave) ²	121	
CBOE Put/Call Ratio (0.9 to 1.1) ¹	0.91	
Volatility Index (13-19 ave) ¹	21.67	
NYSE Advance/Decline Line (month/month) ¹	Down	

CNN Fear/Greed Index ³	Fear	
AII % Bulls Sentiment (39% ave) ⁴	33.2%	
Chemicals Activity Barometer (y/y) ⁵	18.6%	
S&P 500 200 Day Moving Average Cross	No	
Total Positive	11 / 18	
Total Negative	5 / 18	

Continued Unemployment Claims ²	2,820	
GDP Nowcast ⁶	6.1%	
Case-Schiller HPI (y/y) ⁷	16.6%	
US ISM Manufacturing (>50= +) ⁷	59.5	
US ISM Services (>50= +) ⁷	64.5	
Headline Consumer Price Index (y/y) ⁷	5.4%	
Leading Economic Index (m/m) ⁷	0.7%	

Sources: (1) Stockcharts.com, (2) St. Louis Federal Reserve FRED. (3) CNN.com, (4) American association of Individual Investors, (5) American Chemistry Counsel, (6) Atlanta Federal Reserve, (7) Factset

Disclosures

Gratus Capital, LLC (Gratus) is a limited liability company that provides investment advisory services, financial planning and other wealth management services to individuals and businesses. Gratus is an SEC registered investment advisor and a wholly-owned subsidiary of Focus Financial Partners. Registration with the SEC does not imply any level of skill or training. Our ADV documents are available upon request.

The information contained in this summary is for informational purposes only and contains proprietary information that is subject to change without notice. Any opinions expressed are current as of the time made and subject to change without notice.

Past performance is not indicative of any specific investment or future results. Views regarding the economy, securities markets, or other specialized areas, like all predictors of future events, cannot be guaranteed to be accurate and may result in economic loss to the investor. Any information provided by Gratus regarding historical market performance is for illustrative and educational purposes only. Clients or prospective clients should not assume that their performance will equal or exceed historical market results and/or averages.

Gratus' portfolio recommendations may differ from the date of this publication and implementation in a portfolio. The information provided is not intended to be, and should not be construed as, investment, legal or tax advice. Nothing contained herein should be construed as a recommendation or advice to purchase or sell any security, investment or portfolio allocation. Any investment advice provided by Gratus is client-specific based on each client's risk tolerance and investment objectives.

If you have questions, please contact our team at: clientsupport@gratuscapital.com

