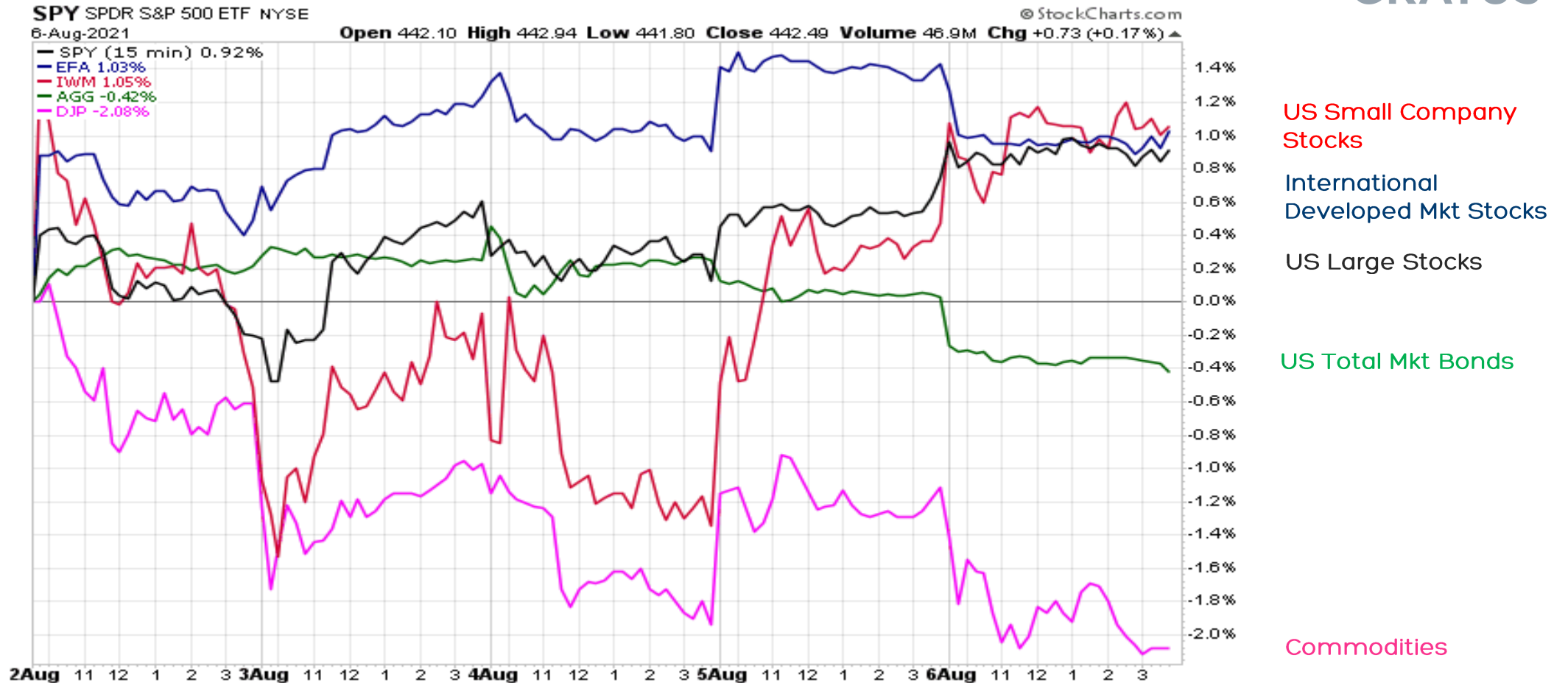


Two Minutes With Todd

Supporting Charts + Commentary

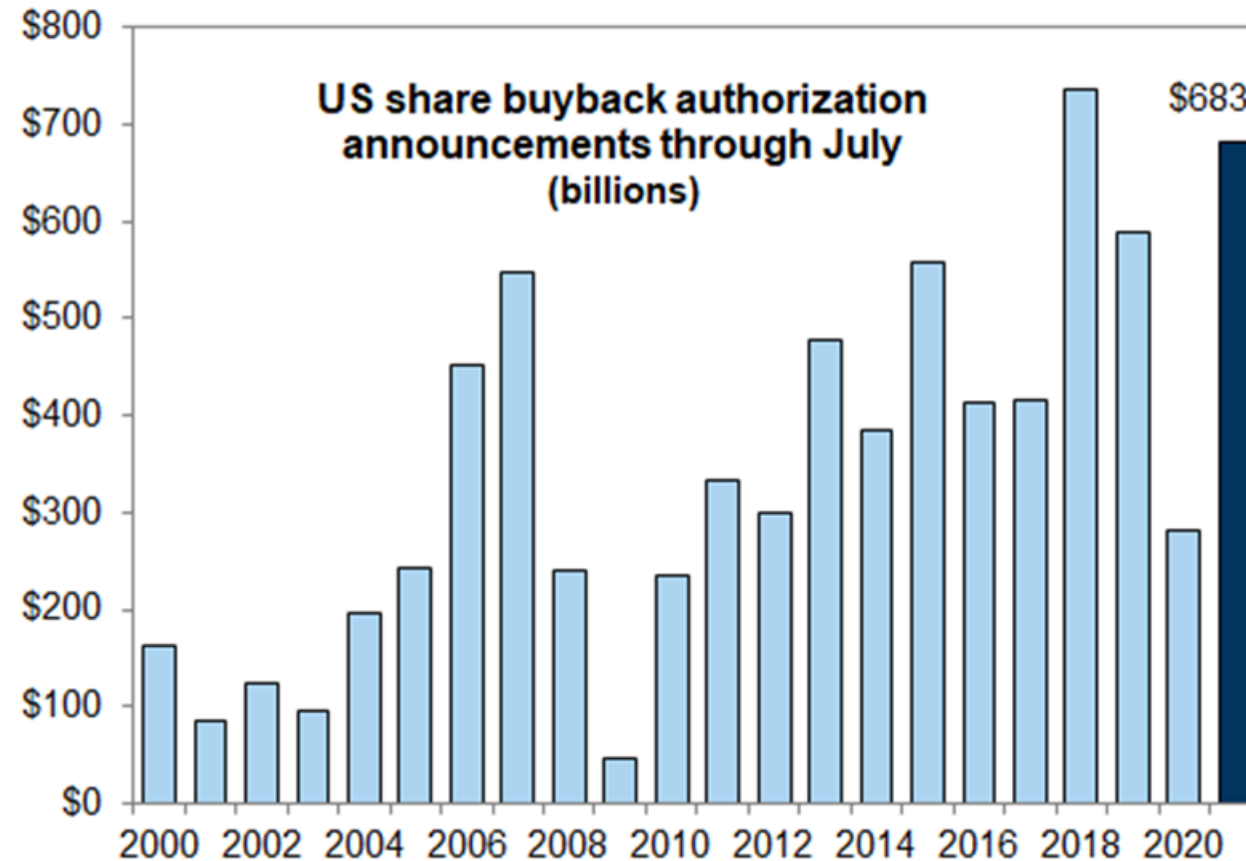
August 9th, 2021

Last Week's Performance



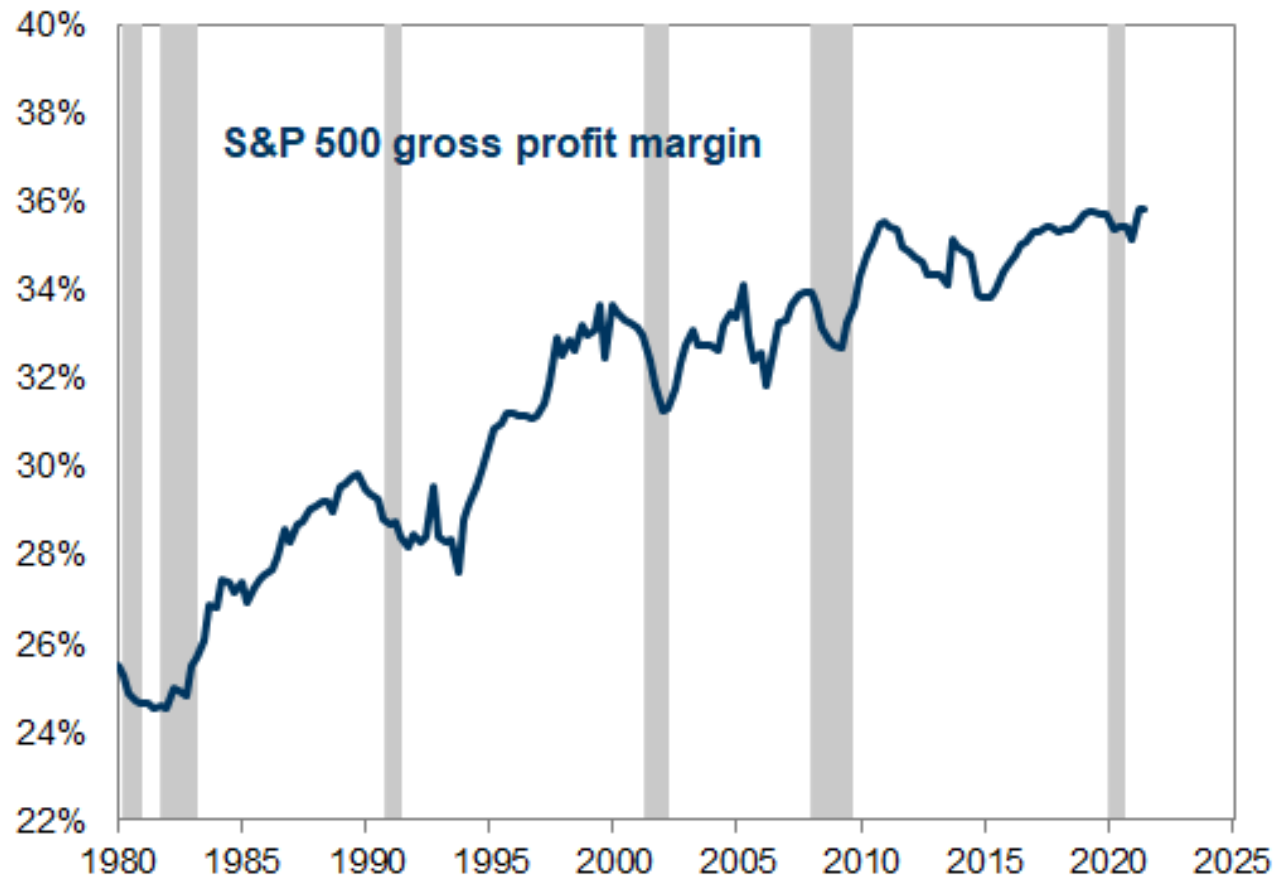
Stocks rallied for another week as bond yields moved from a low of 1.17% to 1.30%. Strong company earnings reports continue to pull the stock market up.

Chart #1: Buyback Demand Roaring Back



One reason we could not get too pessimistic about stocks last year was pent-up demand for stock buy-back activity. After a very modest 2020, 2021 could see buy-back activity at a new high.

Chart #2: Profitability Remains Firm



One remarkable feature of the earnings reports post-Covid has been the stickiness of profit margins. Despite rising commodity and labor costs, companies have found ways to retain elevated profit margins.

Chart #3: Valuation Migration



S&P 500 forward price-to-earnings ratio

The forward P/E ratio based on next-12-month earnings; August 2020 to July 2021



Since the start of Q3 2020, a majority of the upward move in stocks has come from earnings growth, not P/E expansion. As shown by the chart above, the forward P/E for the S&P 500 has been migrating down for 9+ months.

Appendix

Correction / Recession Indicators



Commodities Trend (3M) ¹	Up	
High Yield Credit Spreads (579 bps ave) ²	337	
BBB Credit Spreads (172 bps ave) ²	115	
Yield Curve 10yr – 3M (175 bps ave) ²	125	
CBOE Put/Call Ratio (0.9 to 1.1) ¹	0.95	
Volatility Index (13-19 ave) ¹	16.5	
NYSE Advance/Decline Line (month/month) ¹	Down	

CNN Fear/Greed Index ³	Fear	
AII % Bulls Sentiment (39% ave) ⁴	36.2%	
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	2,930	
GDP Nowcast ⁶	6.0%	
Case-Schiller HPI (y/y) ⁷	16.6%	
US ISM Manufacturing (>50= +) ⁷	59.5	
US ISM Services (>50= +) ⁷	64.1	
Headline Consumer Price Index (y/y) ⁷	5.0%	
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

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