



In this week's Highlights, Ryan Grabinski discusses how housing is a bright spot in the U.S., the stimulus dance is beginning in Washington, and the lack of participation from the financial sector in the market rally is a concern.

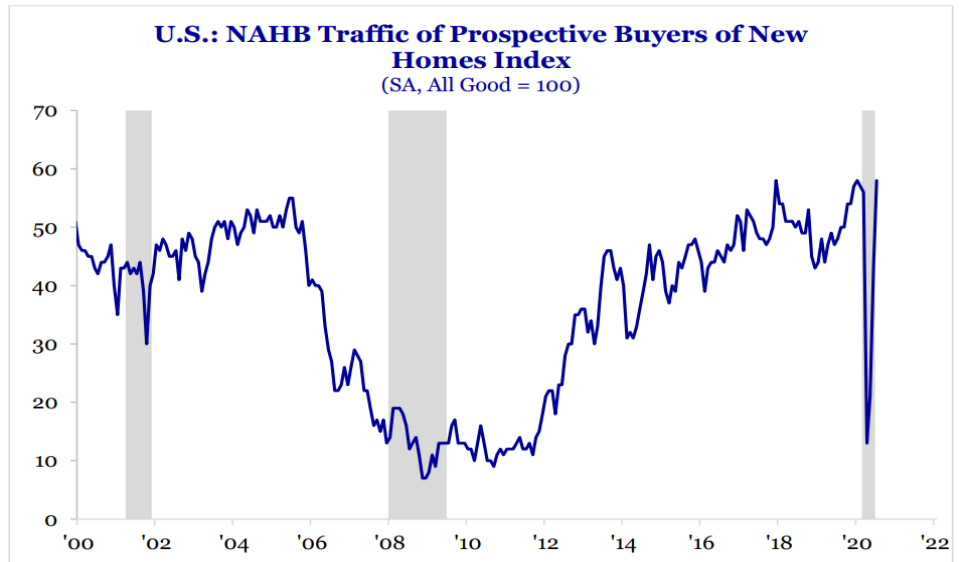


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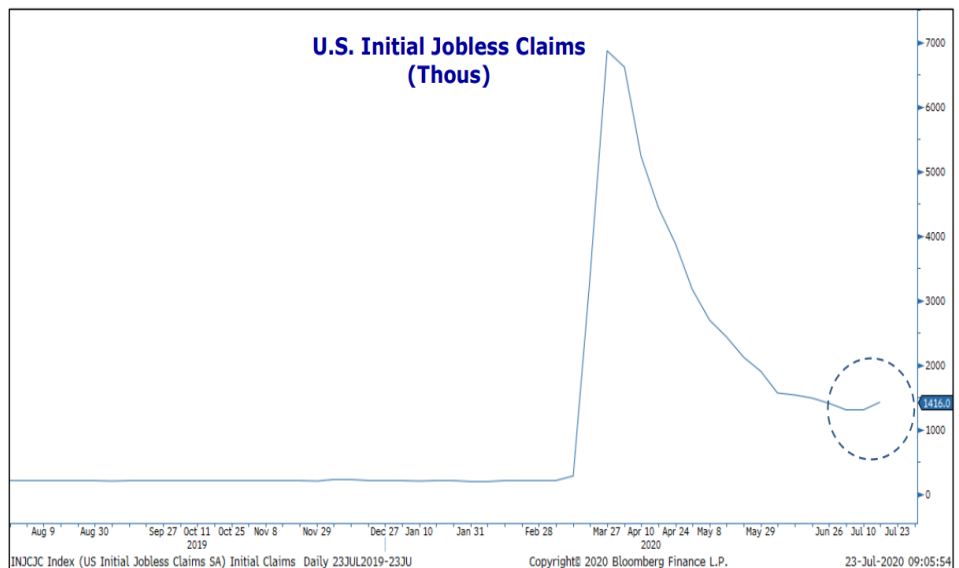
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Housing a Bright Spot In The U.S.

- The NBER recession that began in February 2020 is likely over now. With interest rates low & the worst of the global lockdown likely behind us, U.S. housing looks to have some pent-up demand.



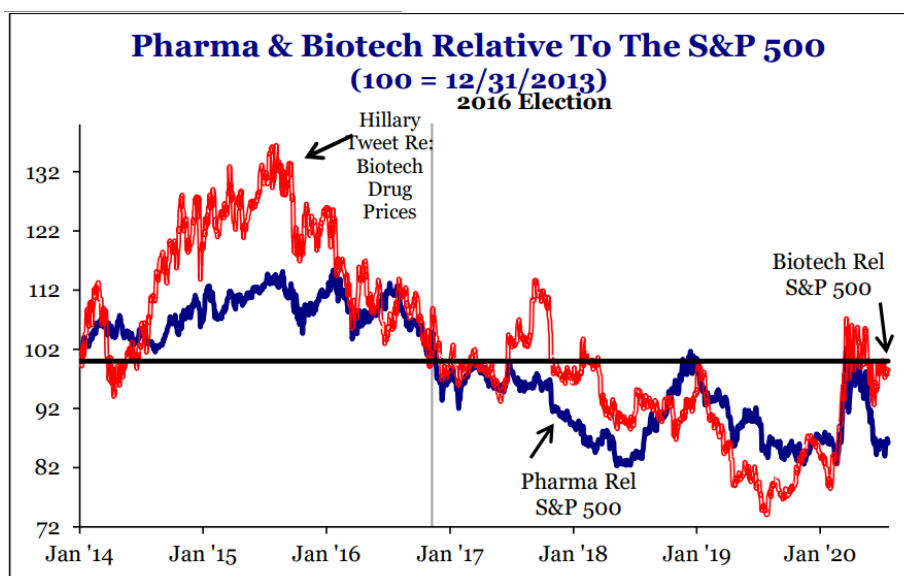
- There is mounting evidence the U.S. labor market is losing momentum in July. Initial jobless claims rose to 1.4 million in the Jul 18th week. Additionally, timely census survey data is indicating a fade in U.S. jobs through mid-month.



Stimulus Dance Is Starting In Washington

- Passing the next round of fiscal policy stimulus will be more painful to watch than the CARES Act was in the month of March. We expect more volatility in the next two weeks, and there are significant hurdles that will need to be overcome in a short period of time. A list of possible items that may be included in a deal are:
 - Liability Protections
 - State and Local Aid
 - Tax Refunds
 - Unemployment Benefits
 - Employee Retention Tax Credit Expansion
 - School Aid
 - Health Care Funding
 - Food Stamp Increase
 - PPP Re-Extension

- Though the Administration has promised action on drug prices repeatedly during President Trump's first term, little action has been taken. The race for a vaccine has further reduced the odds of policy actions taking place in the near term. Nevertheless, with the Trump campaign slumping with seniors, press reports suggest Trump is considering executive actions that have implications for biotech, pharma, distributors, and insurers.

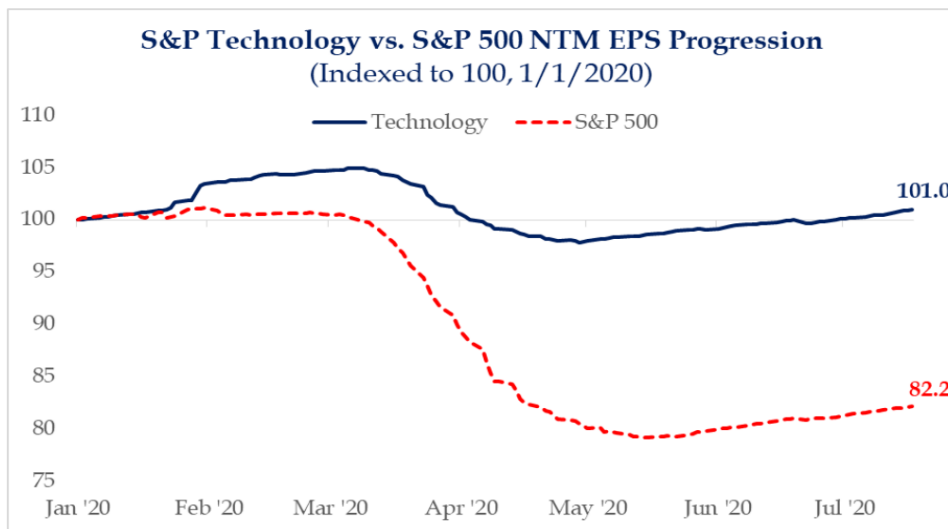


Participation from the Financials Needed Longer Term

- We are becoming increasingly uneasy about the fact that the Financials are not participating in any real way in the bull market that started on March 23rd. The sector is underperforming the market by a degree approaching two standard deviations.



- The stability of Tech earnings has undoubtedly contributed to the outperformance of the sector this year. Still, the extent the trade war with China continues to intensify it could be a risk to the sector and the broader market.



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