



In this week's Highlights, Ryan Grabinski discusses how the economic data remains mixed, the election is becoming a referendum on Covid-19, and equities continue to move higher.



Ryan Grabinski  
Equity Strategist

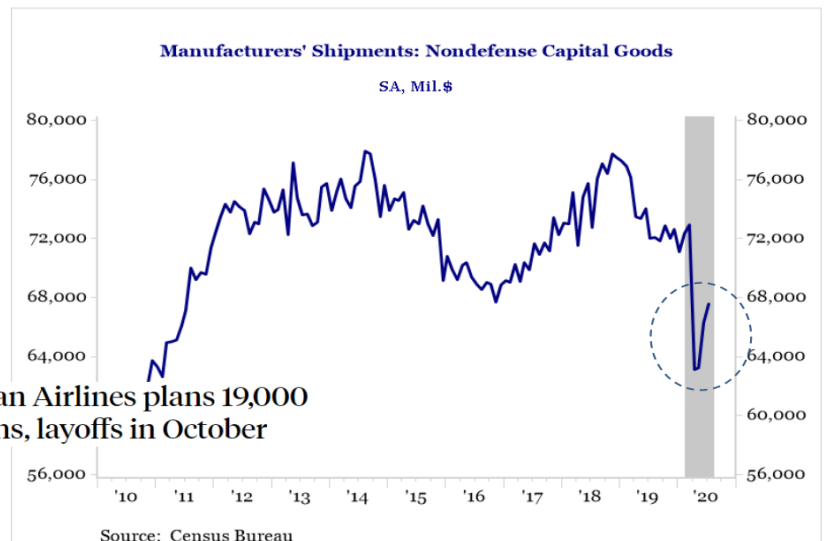
[rgrabinski@strategasrp.com](mailto:rgrabinski@strategasrp.com)

### Economic Data Remains Mixed

- The Conference Board's measure of U.S. consumer confidence dipped to 84.8 in August, with both the present situation and expectations components falling. Yet new home sales surged m/m in July, mirroring the package of strong U.S. housing data seen last week.



- U.S. durable goods orders rose +11.2% m/m in July, with core cap goods orders ex aircraft up 1.9% and shipments up 2.4%. This matters because, while business production has been impaired, production of consumer goods is helping create a durable bottom in economic activity.

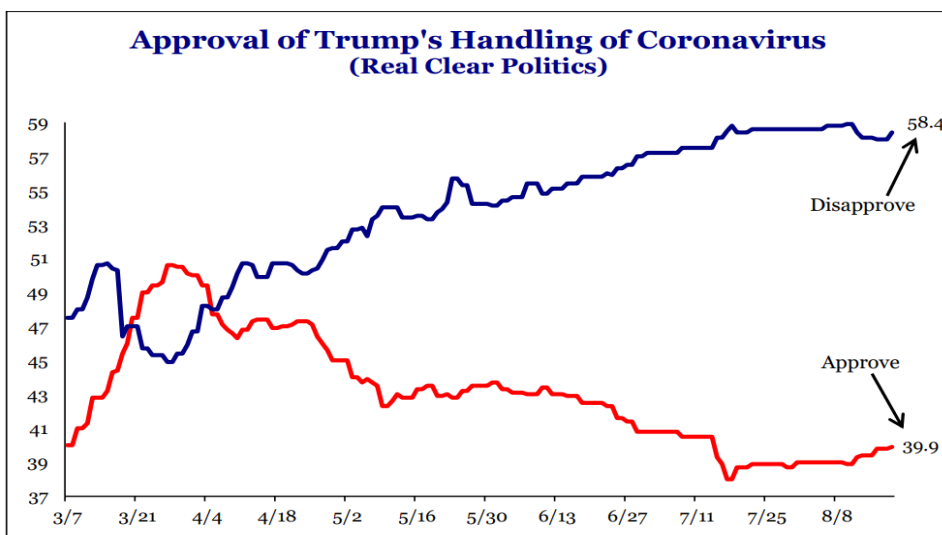


ABC

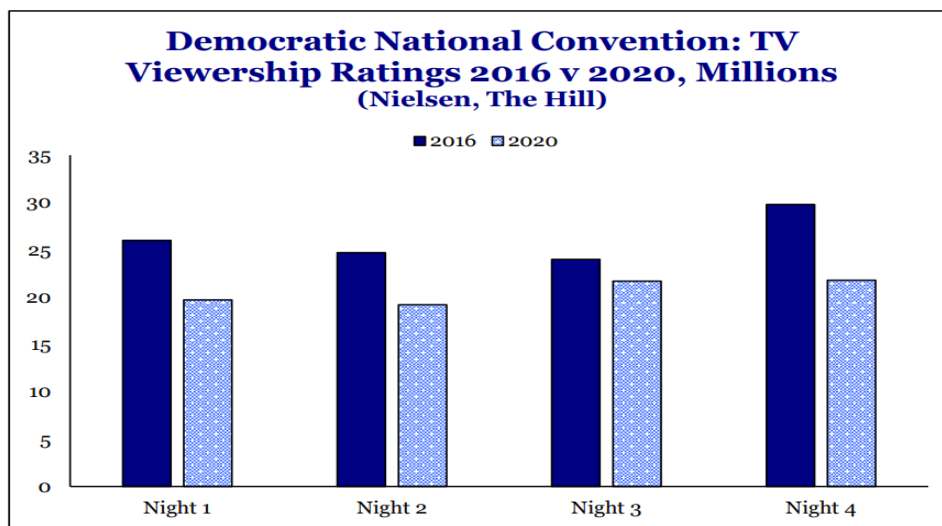
American Airlines plans 19,000 furloughs, layoffs in October

### Election Becoming a Referendum on Covid-19

- Presidents are reelected when they govern well and can frame their opponent as a risky choice that will change course by electing someone new. We often refer to this as the “referendum vs. choice” debate of a reelection. Trump is trying to make the race a choice between him and Biden, but has been given little opening. In last weekend’s ABC interview, Biden said he would lock down the U.S. economy, which may give Trump an opening to create a choice between lockdown and therapeutics. It is probably not a coincidence that Trump is going hard on new therapies and pushing for a vaccine to be announced pre-election.

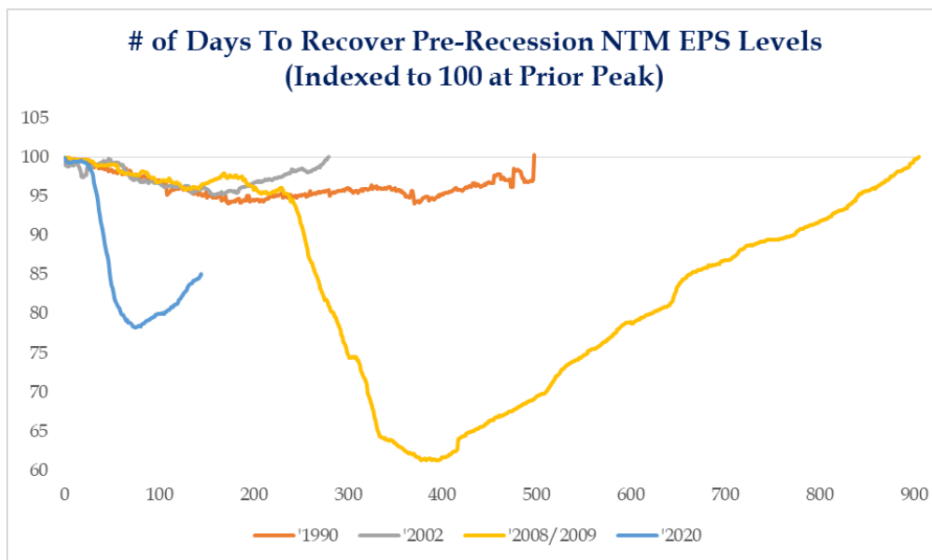


- Enthusiasm Gap? The 2020 levels are initial estimates and could be subject to revisions. However, this data shows a 27 percent reduction in viewership between Clinton’s 2016 DNC speech and Biden’s DNC speech last week.

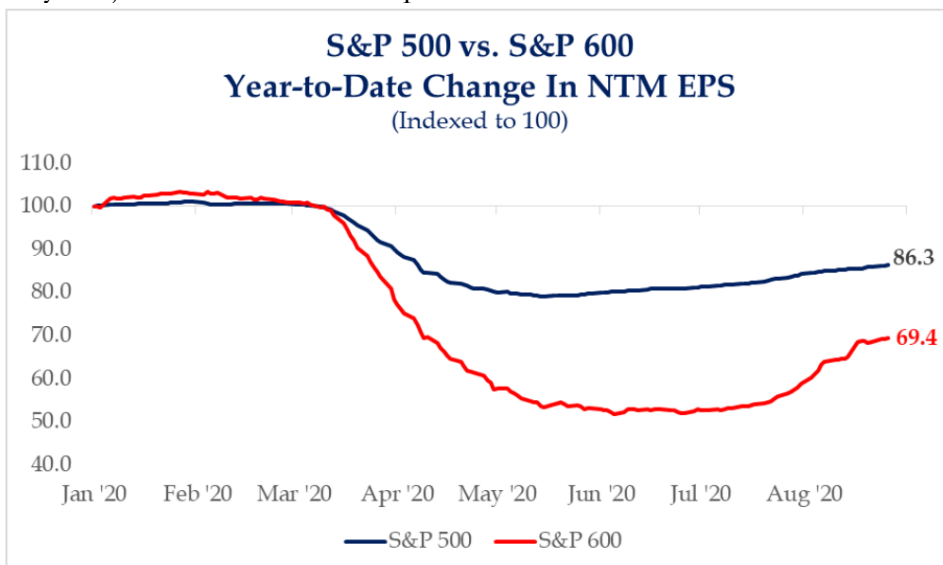


## Market & Economic Disconnect Not Abnormal This Early

- Earnings & Employment historically have taken time to recover their declines, and while the story remains broadly the same as it was in March, the S&P has made new highs. Perhaps we have to get comfortable with being uncomfortable for now, with large fiscal and monetary stimulus taking place.



- While a weakening dollar has historically led to marginal underperformance of small-caps vs. large-cap peers, we are beginning to see signs of improvement in the fundamentals, even with the large percentage of non-earners. Perhaps the most compelling long-term reason to own small caps is simply as a hedge against inflation. Since the 1930s, small-cap stocks are the only major asset class to outperform inflation in each decade.



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