ECONOMY

Investors Grapple With Mixed Bag of Data

THINK STRATEGICALLY:

Taking Charge of the Crumbling Infrastructure

The Biden Infrastructure Bill

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Given the Senate's rare session to draft and introduce a bipartisan infrastructure bill, this is an opportune time to review the measures that could inject a new federal funding—with some nasty tax increases for both businesses and wealthier taxpayers.

— The Bipartisan Infrastructure Bill: Much-awaited and largely anticipated, this bill is important to improve traditional infrastructure in the United States, and it does not raise taxes.

President Biden is a firm believer that the United States must enhance investment in the nation and all U.S. citizens by creating good-paying jobs, dealing with the climate crisis and supporting the growing economy sustainably and equitably for decades to come. The bipartisan infrastructure deal has a framework to attempt to reach these objectives.

The $550 billion infrastructure deal includes:

– $110 billion for highways, bridges and other significant projects, and a surface transportation program for the next five years building on bipartisan surface transportation

– Makes the most significant federal investment in public transit ever.

– Makes the most significant federal investment in passenger rail since the creation of Amtrak

– Makes the single most significant dedicated bridge investment since the construction of the interstate highway system.

– Makes the most significant investment in clean drinking water and wastewater.

– Offers all Americans access to reliable high-speed internet.

– Helps us tackle the climate crisis by making the most significant investment in clean energy transmission and electric vehicle infrastructure in history.

– It will also electrify school and transit buses and create a new Grid Deployment Authority to build a clean, 21st-century electric grid.

— The $3.5 Trillion Budget Resolution is another bill to be mindful of that will follow the infrastructure bill in early August in the Senate. The purpose of the budget resolution is to authorize a third bill to spend up to $3.5 trillion in new domestic spending and to partially offset that spending with tax increases on businesses and wealthier individuals. Without the legal authority from the budget resolution, the third bill cannot pass the Senate with a simple majority vote.

— The Tax Increase Bill will be introduced in late September or early October. Not only will it include tax increases, but the effective dates of these provisions will be critical. It is said to include retroactive capital gains to either the bill's introduction or passage date. This scenario allows investors between now and then to utilize the lower capital gains tax rate as needed.

Week in Markets: Volatility returns, GDP growth numbers miss and housing starts drop sharply

This week, the stock markets had all the drama of a Hollywood movie. The drama began when the delta variant began to take hold of the world's economies, followed by outsized second-quarter (2Q) corporate earnings reports. For good measure, there were worse than expected U.S. GDP numbers and a Fed meeting, and to add a suspenseful ending, Chinese regulators began to crack down on their public companies, forcing a massive sell-off.

Allow me to delve into what this mixed bag of data means for investors, particularly regarding the state of the world economy and the direction of interest rates.

— The Global Supply Disruption and its Shortages are curbing economic growth; with both liquidity and an economy much more extensive than its pre-pandemic levels it will take some time to work around these challenges.

— Corporate Earnings in the United States have risen 97 percent and 159 percent in Europe; these increases will support investor sentiment and stock valuations.

— The Federal Reserve Bank has clearly stated that it will continue with its easing policy until the United States reaches full employment. In my view, the GDP growth miss is not necessarily bad for markets; however, the launch procedure for interest rates to rise has begun.

— Chinese and U.S. Regulator Measures on Publicly Traded Stocks: As the Chinese begin to crack down on U.S. publicly traded stocks, the U.S. Securities and Exchange Commission has already started investigating the DiDi stock sale. The era in which Chinese companies floated their initial public offerings (IPOs) in the U.S. market may be ending. For example, the MSCI China Index was down 26 percent from its February peak this year.

— The U.S. GDP Second Quarter Miss: The U.S. Real GDP was forecast to grow at 8.4 percent; however, it only grew at a 6.5 percent annualized rate. The projection was not achieved due to the following:

– U.S. new home sales dropped 6.63 percent,

– A sharp decline in inventories,

– Absence of stimulus government spending, and

– Much larger than expected trade deficit as imports outpace exports.

On the other hand:

— Consumer spending is rising at 11.8 percent, much more robust than forecast. Overall growth could have been more extensive without the global supply disruptions impacting everything from furniture and durable goods to automobiles. The empty car dealership lots are probably the best example.

— Vaccination Efforts: as we march on ahead to the second half of the year, a lot is riding on the massive vaccination efforts and the surprising resistance of many citizens worldwide to get vaccinated.

At least 189.5 million people, or 58 percent of the U.S. population, have received at least one dose. Overall, nearly 163.6 million people, or 50 percent of the U.S. population, have been fully vaccinated, which means that the United States is 20 percent or more away from reaching herd immunity levels.

As the vaccine became a political issue, note that most Republican states have among the lowest vaccination rates.

We must never put politics ahead of scientific data; doing so has cost us millions of lives.

Weekly Market Close Comparison	7/30/21	7/23/21	Return	YTD
Dow Jones Industrial Average	34,935.47	35,061.55	-0.36%	14.14%
Standard & Poor's 500	4,395.26	4,411.79	-0.37%	17.02%
Nasdaq Composite	14,672.68	14,836.99	-1.11%	13.85%
Birling Puerto Rico Stock Index	2,514.63	2,455.64	2.40%	22.93%
U.S. Treasury 10-Year Note	1.24%	1.30%	-4.62%	0.50%
U.S. Treasury 2-Year Note	0.19%	0.22%	-13.64%	0.55%

Weekly Wall Street Review: July 30:

The Dow Jones Industrial Average closed at 34,935.47, down 126.08 points, or 0.36 percent, for a year-to-date (YTD) return of 14.14 percent

The Standard & Poor's 500 closed at 4,395.26, down 16.53 points, or 0.37 percent, for a YTD return of 17.02 percent

The Nasdaq Composite Index closed at 14,672.68, down 164.31 points, or 1.11 percent, for a YTD return of 13.85 percent

The Birling Capital Puerto Rico Stock Index closed at 2,514.63, up 58.99 points, or 2.40 percent, for a YTD return of 22.93 percent

The U.S. Treasury 10-year note closed at 1.24 percent

The U.S. Treasury 2-year note closed at 0.19 percent.

The Final Word: The IPOs that Bombed

Last week was not a great week for IPOs. The first on the list is Robinhood Markets Inc., which began trading on July 29 and Dole (DOLE) which began trading on July 30.

Robinhood Markets Inc. (HOOD) is a modern financial services platform delivered through a single, app-based cloud platform supported by proprietary technology. Robinhood's IPO went to market at $38.00 for its trading debut, giving the company a $30 billion market capitalization; the stock then lost 8.63 percent of its IPO debut price and saw one of the worst declines in history for an IPO. The stock closed on July 30 at $35.15.

Dole PLC (DOLE): Through its subsidiaries, operates in the North American and European markets for fresh fruits and vegetables. It has four reportable segments. Dole made its IPO debut at $16 per share; the stock quickly fell to around $14.64, or 8.5 percent below the opening IPO. For Dole, this is the third time since 1851 that it has been a public company. The stock closed at $14.52.

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