



# Daily Commentary

Commentary prepared by **Alloya Investment Services**, a division of the wholly owned CUSO of Alloya Corporate Federal Credit Union. Alloya Investment Services is a leading broker/dealer consultant to credit unions.

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## Market Indications

## Other Market Indicators

Market Indicators		
2s/5s Tsy Spread	0.67	+0.01
2s/10s Tsy Spread	1.49	+0.01
2s/30s Tsy Spread	2.20	+0.02
DJIA-30	34,327.79	-54.34
NASDAQ	13,379.05	-50.93
S&P-500	4,163.29	-10.56
Dollar Idx	89.81	-0.38
CRB Idx	205.94	+2.65

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Recap – Equity markets closed lower as big tech underperformed again. Bonds were uniformly sold with yields up around 1-2 basis points on the day. The 10-year yield bounced off the pre-Consumer Price Index (CPI) levels around 1.60%. Black gold and the barbarous relic were both bid today as crypto, stocks, bonds and the dollar all slipped lower (and lumber entered a bear market). Oil prices (WTI) jumped back above \$66 while gold surged to its highest since January. And lumber was down for the sixth straight day and now down over 23% from its highs. Elsewhere, the dollar extended its drop, and bitcoin was a bloodbath after Tesla CEO Elon Musk’s machinations, back at its lowest since early February. The graph below shows the recent shift from bitcoin to gold.

Sentiment turns to sediment. Is this supposed to be happening with a roaring stock market, gobs of fiscal stimulus and the economy mostly reopened? I mean flat retail sales in April. Did all that stimulus get spent the month before? This goes to show how inefficient the stimulus was, going to so many people who didn’t need it and will end up saving it, playing the market or paying down debt.

The University of Michigan Consumer Sentiment Survey took a dive in May – to a three-month low of 82.8 from 88.3 in April. The current conditions index sagged to 90.8 from 97.2 and expectations slumped to 77.6 from 82.7. There was nowhere to hide in this report.

Downward Growth. It is interesting to see the Atlanta Fed take down its second quarter (Q2) real GDP growth view from a 13.7% annual rate on to 10.5%. The St. Louis Fed, at 12.6% two months ago for Q2, is now down to 8.2% growth. Obviously, this is still massive growth, with a ton of fiscal support, but it is the direction that matters. Keep in mind that it will not get better than the second quarter with the reopenings, vaccinations and the massive fiscal stimulus. What’s in store for Q3, do you think?

Moving Forward. Republicans are on track to deliver their infrastructure proposal today with signs increasing that they will come up with a larger package than their initial \$568 billion five-year proposal. The group is opposed to tax increases to fund the spending, with some favoring public-private partnerships to help pay for the plan.

STOP! The International Energy Agency (IEA) said the world needs to stop developing any new oil and gas fields to have any chance of reaching net-zero emissions by 2050. No new coal-fired power stations should be built, and electric cars should make up 60% of the global fleet by 2030. Oil prices should dwindle to \$25 a barrel by mid-century under the scenario they outline.

On the docket today, April housing starts and building permits data are due at 8:30 am. Dallas Fed President Robert Kaplan speaks later. Walmart, Macy's and Home Depot all report, with the updates likely to be closely watched for consumer behavior.

The sentiment pendulum swinging between reopening-driven economic optimism and COVID-flareup-driven pessimism is firmly on the side of optimism today. Overnight, the MSCI Asia Pacific Index added 1.7%. In Europe, the Stoxx 600 Index had gained 0.3%. S&P 500 futures pointed to a higher open and the 10-year Treasury yield was at 1.645%.

## May 17 – 21, 2021: The Week Ahead

### Future Fed Expectations

#### Select Probabilities based on the Futures

Probability of Fed Funds rate HIKE on June 16, 2021	8%
Probability of Fed Funds rate CUT on July 28, 2021	2%

\*\*All quoted rates are indications and are subject to change without notice.

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