

Wentz Weekly

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Consumer Confidence Surges in March



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President Biden revealed the first phase of his infrastructure proposal last Wednesday. The proposal's priorities include transportation improvements, investing more in domestic manufacturing and supply chains, improving the electric grid, high speed broadband across the country, and housing and schooling infrastructure improvements. The total cost of the first phase is estimated to be a little over \$2 trillion and be broken down as follows: \$621 billion for transportation infrastructure improvements, \$480 billion for domestic manufacturing, \$400 billion for healthcare infrastructure, \$313 billion for public housing repair, housing credits and school improvements, and \$311 billion for modernizing the water, electric and broadband systems. The plan calls for adjustments in corporate tax laws to offset some of the costs of the proposal. The plan would include increasing the corporate tax rate to 28% from 21%, increasing the rate on overseas profits, implementing a minimum tax on book income for larger corporations, and eliminating certain subsidies and deductions.

The administration will attempt to gain bipartisan support but after adjustments is likely to have enough support from all Democrats in the Senate to pass with a 50-50 vote via reconciliation (similar process to how the latest stimulus bill was passed since there was no support from Republicans). The timeline is uncertain, but House Speaker Pelosi is targeting a deadline of July 4 for drafting and passing the bill in the House. If the legislation is delayed into the second half of the year Congress will have to worry about the appropriations process which has a deadline of October 1 where things could get more dicey. The second phase of the infrastructure plan is expected to focus more on social issues, and early thoughts see changes to individual taxes wrapped into this package to help offset the costs.

The Organization of the Petroleum Exporting Countries (OPEC) and its allies announced following its meeting last Thursday it had agreed to gradually raise oil production from May through July by 2 million barrels/day by the end of the period. The decision suggests the group is growing more confident in the recovery in the global economy and demand for oil. Since the pandemic began, OPEC+ has cut production on about 7 billion barrels/day of oil, with Saudi Arabia voluntarily cutting another 1 million barrels/day. The Saudis said they will also gradually add more supply from its voluntarily 1 million bbl/day cutback. The group will continue to assess the oil markets and decide whether to adjust production up or down on a monthly basis.

A Covid vaccine for individuals as young as 6 months old could soon be available after recent data showed encouraging results. Pfizer and BioNTech said last week that in a Phase 3 trial in adolescents age 12 to 15 the vaccine demonstrated 100% efficacy with robust antibody response, exceeding the levels in an analysis of the age 16-25 age group. The trial included 2,260 adolescents where 18 cases of Covid were reported in the placebo group and zero were reported in the vaccinated group. The companies plan to submit the data to the FDA for emergency use approval for this age group. In addition, the companies said it has begun dosing healthy children in a Phase 1/2/3 trial to evaluate safety and efficacy in the 6 month to 11 year old age group. The companies are also moving into a Phase 3 study to evaluate a lyophilized formula of their Covid vaccine which does not require the stringent storage requirements of the original formula.

March was expected to be a large month for jobs gains in the labor market thanks to the continued reopening of our economy with the acceleration of the vaccine rollout surely a contributing factor. Actual data from the Department of Labor did not disappoint, with 1.3 million nonfarm payrolls added in the month and 917,000 nonfarm payrolls added on a seasonally adjusted basis. The headline unemployment rate fell to 6.0% in March from 6.2% in February, which may be a little misleading because there are less individuals in the labor force and almost 6 million people who are working part time that would rather have a full time job. A more appropriate figure is the U-6 unemployment rate which includes these individuals and stands at 10.7%, which improved from 11.1% in February and down from 22.9% last April. Despite the strong March payroll figures, there still remains close to 10 million fewer employed than pre-pandemic levels and 2.1 million more permanent jobs lost compared to pre-pandemic levels. However, with much of the job losses having been in lower paying and lower skilled jobs, as the economy continues to reopen we expect strong employment reports in the months ahead.

Company News

- Gunshot detection and precision-policing company ShotSpotter said it is expanding in the retail sector and has launched ShotSpotter SiteSecure to offer gunfire detection for retail chains and malls. The company had previously partnered with cities, municipalities and universities for its products and services.
- Cleveland Cliffs lifts its first quarter and full year guidance well above consensus estimates due to better demand and pricing. For Q1, it expects EBITDA of \$500 million vs \$388 million consensus, and full year EBITDA of \$3.5 billion versus \$2.9 billion consensus.
- Chinese electric vehicle maker Nio said it delivered 20,060 vehicles in Q1, up 423% from a year ago and higher than the 19,500 guidance it provided earlier this week (which was upgraded from prior guidance as well). Also, the company said production has been halted due to the chip shortage in the industry.

The Week Ahead

The calendar lightens up this week for the first full week of the second quarter. On the economic calendar we will see factory orders on Monday which are seen as an indicator of business fixed investments. On Wednesday the Fed releases minutes from its most recent meeting. On Thursday we will see the most recent data on unemployment claims and Friday the producer price index is released. The earnings calendar is very light. Notable reports include Carnival on Wednesday and Conagra Brands and Levi Strauss on Thursday. Other events on the schedule include several meetings from semiconductor companies including Intel.

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow" is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. Information contained herein was received from sources believed to be reliable, but accuracy is not guaranteed. Information provided is general in nature and is not a complete statement of all information necessary for making an investment decision and is not a recommendation or a solicitation to buy or sell any security. Investing always involves risk and you may incur a profit or loss. Keep in mind that individuals cannot invest directly in any index. Past performance does not guarantee future results. There is no assurance these trends will continue, or forecasts will occur.