The week in review

- Headline/Core CPI both rose 0.6% m/m
- Jobless claims at 963k
- Retail sales increased 1.2% m/m
- Industrial production rose 3.0% m/m

The week ahead

- FOMC meeting minutes
- Flash mfg. and services PMIs

Thought of the week

As has been the case in the U.S., 2Q earnings fell very sharply in international markets as COVID-19 induced shutdowns weighed heavily on corporate results. As shown in this week’s chart, the regions with the biggest weighting in cyclical sectors have seen the biggest fall in earnings. Cyclical sectors account for only 35% of the S&P 500’s market capitalization, while cyclical sectors in EM Asia are tracking positive growth of 7%, reflecting its more moderate weighting toward cyclical sectors and its advanced recovery relative to other regions. Combined with the U.S., EM Asia, have provided broad fiscal support to their economies. With China showing a potential for further U.S. dollar weakness, the regions with a stronger cyclical bias, Europe and EM Asia, and with China showing a potential for further U.S. dollar weakness, the regions with a stronger cyclical bias, Europe and EM Asia, have provided broad fiscal support to their economies. With China showing a potential for further U.S. dollar weakness, the regions with a stronger cyclical bias, Europe and EM Asia, have provided broad fiscal support to their economies.

On the other hand, earnings in EM Asia are also driving a stronger bounce back in 2021. In addition to a stronger cyclical bias, some foreign countries have achieved better control over the virus than the U.S. and, like the U.S., have provided broad fiscal support to their economies. Combined with the potential for further U.S. dollar weakness, international markets might finally be at a better starting position as we enter a new cycle. Consequently, this may be a good moment for investors to consider some international diversification by increasing their exposure to regions that can benefit from a potentially stronger economic revival, especially Europe and EM Asia.

Please see important disclosure on next page.
Weekly Market Recap


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