

PINE VALLEY
INVESTMENTSThe Morning Core by Nick
Lampone
April 16th, 2021

Happy Soul Train Friday! For those new to The CORE, every Friday I send a clip of a Soul Train line dance. It's something to put you in a good mood heading into the weekend.

Enjoy. <https://bit.ly/3gfhMOp> The guy with the Flashdance outfit is hysterical.

US Futures-World Markets: US equity futures trade higher after a strong start to earnings season. It's not surprising with sell-side earnings estimates too low coming out of the pandemic. Nice to see 10-year yields continue to drift lower. Some interesting charts below on the correlation with tech stocks. JP Morgan slapped a monster bond deal on the tape yesterday. \$13 billion worth after reporting blowout earnings. Smart of Jamie Dimon to feed the beast with investors starved for yield. Raymond James upgraded Comcast to Buy with a \$61 target price. Housing starts and building permits data is out 8:30 am ET. S&P Futures vs. Fair Value: +8.20, 10-Yr Yield: 1.567%.

CORE Headlines:

- Australia's federal court found Alphabet's Google misled some consumers about personal location data collected through Android mobile devices, the country's competition regulator said.- Reuters
- China's economic recovery quickened sharply in the first quarter to record growth of 18.3% from last year's deep coronavirus slump, propelled by stronger demand at home and abroad and continued government support for smaller firms.-Reuters
- The House passed the Paycheck Fairness Act, which would increase penalties for violations of a federal law that already prohibits wage discrimination on the basis of sex and enhance prohibitions to prevent retaliation against workers who lodge a discrimination complaint.-WSJ

- The CDC has identified a small group of Covid-19 infections among fully vaccinated patients—breakthrough cases represent 0.008 percent of the fully vaccinated population and are in line with expectations about approved vaccine effectiveness.-WSJ
- Google announced an update to Google Earth which will allow users to explore the evolution of a location in time lapse form, and has compiled 24 million satellite photos from the past 37 years to create its Timelapse product.-USA
- President Biden imposed sanctions on Russia, including measures that will target its government debt, expel 10 Russian diplomats from the US, and hit 38 entities accused of interfering in US elections and carrying out cyberattacks.-FT
- Top diplomats from Greece and Turkey met for talks to reduce tensions over territorial disputes and Cyprus—their first meeting since a naval confrontation in the Mediterranean last year—but progress was limited amid sharp disagreements.-FT
- Democratic senator Ron Wyden of Oregon proposed a draft bill that would limit the kind of US personal data that could be bought and sold abroad.-TCrunch
- The US Capitol Police Department failed to act on several intelligence recommendations from its inspector general in the years leading up to the January siege on the Capitol, a House Administration Committee hearing revealed.-RollCall

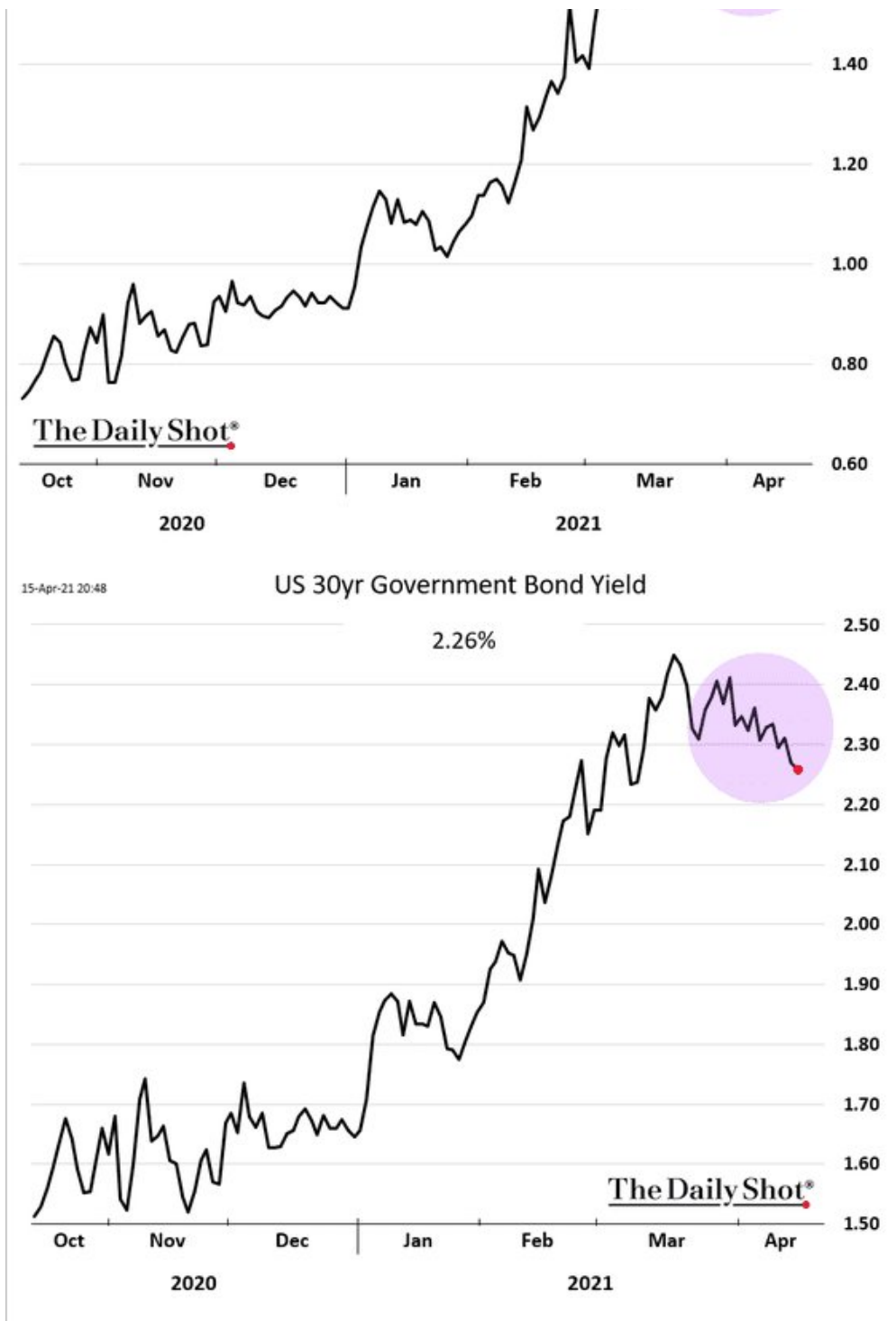
Interesting Reads/Charts:

- Undark: GMO mosquitos to be released in the Florida Keys <https://bit.ly/3mWyLGD>
- Institutional Investor: Inside Goldman's active quant machine <https://bit.ly/3sqzwcd>
- Recode: Fast food over fine dining? Spending data on the recovery <https://bit.ly/3dmmVCp>

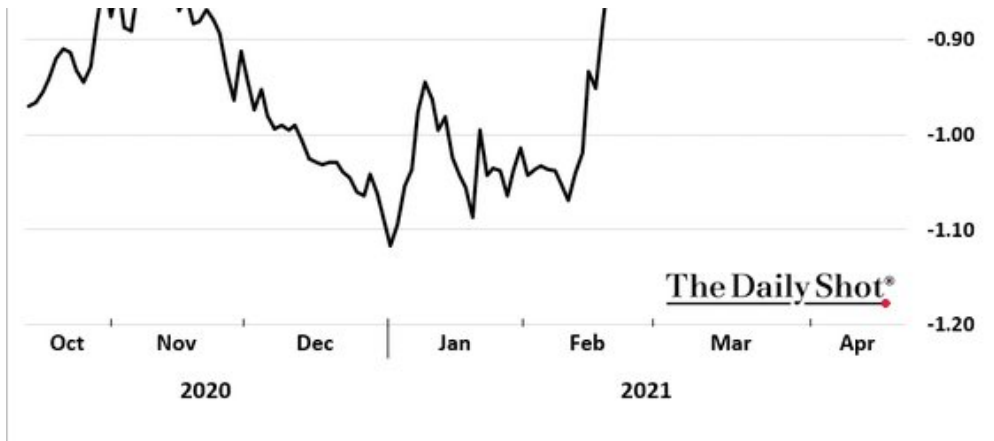
All charts from The Daily Shot:

The unexpected Treasury rally this week set the tone for global markets.

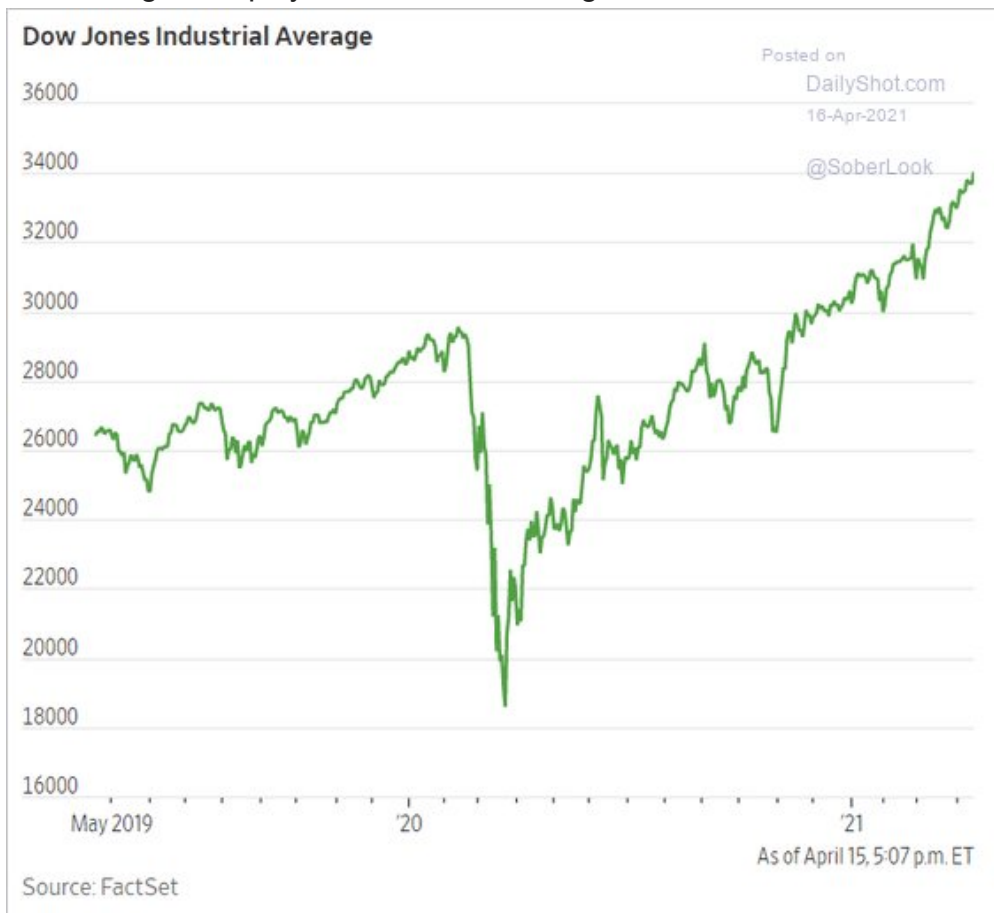




Declining US real yields (TIPS) also have a significant impact on risk assets, ...

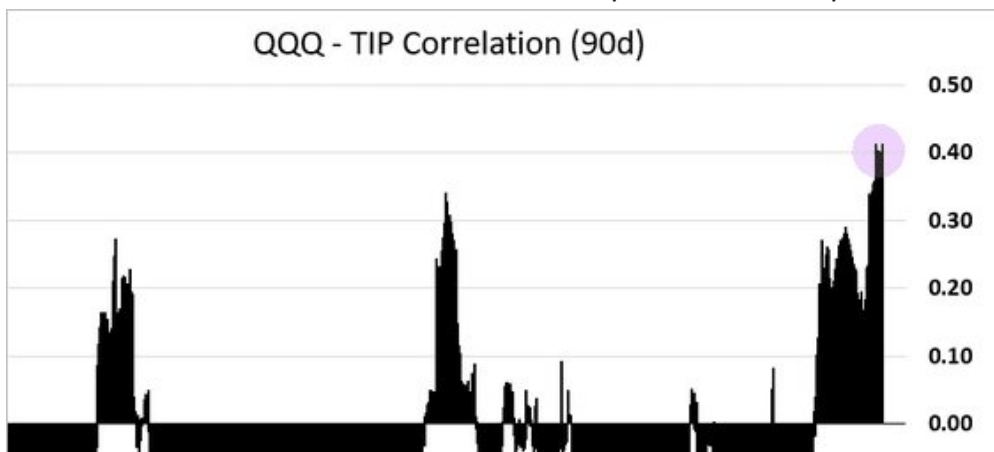


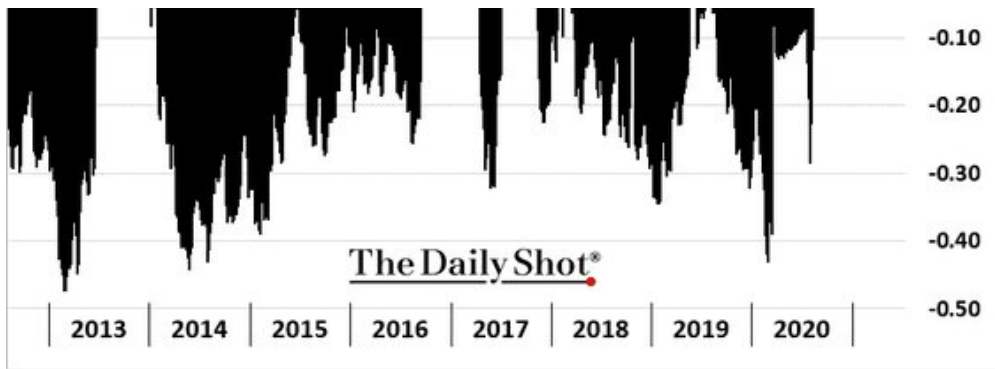
... sending US equity indices to record highs.



Source: @WSJ [Read full article](#)

Here is the correlation between the Nasdaq 100 and TIPS prices.



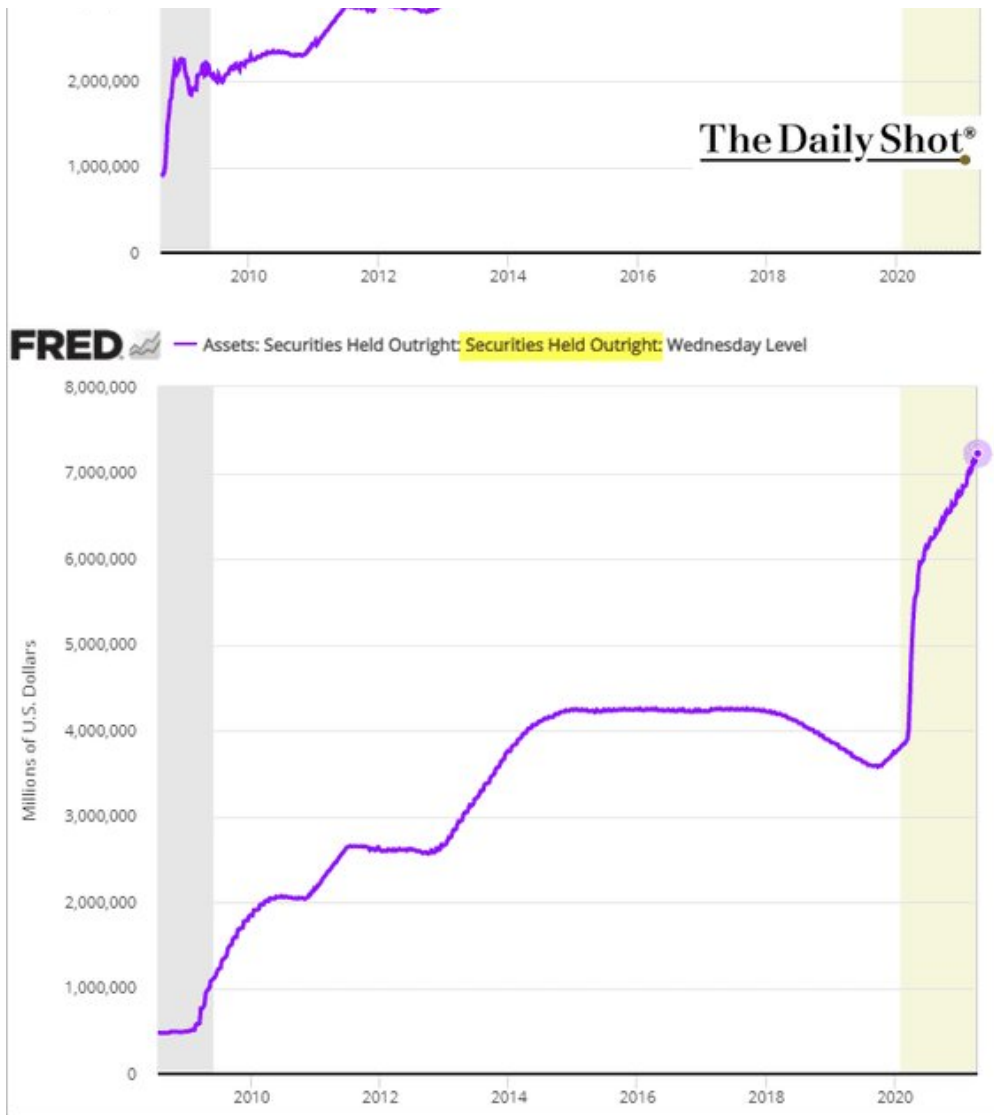


US mortgage rates declined sharply this week (with Treasury yields).

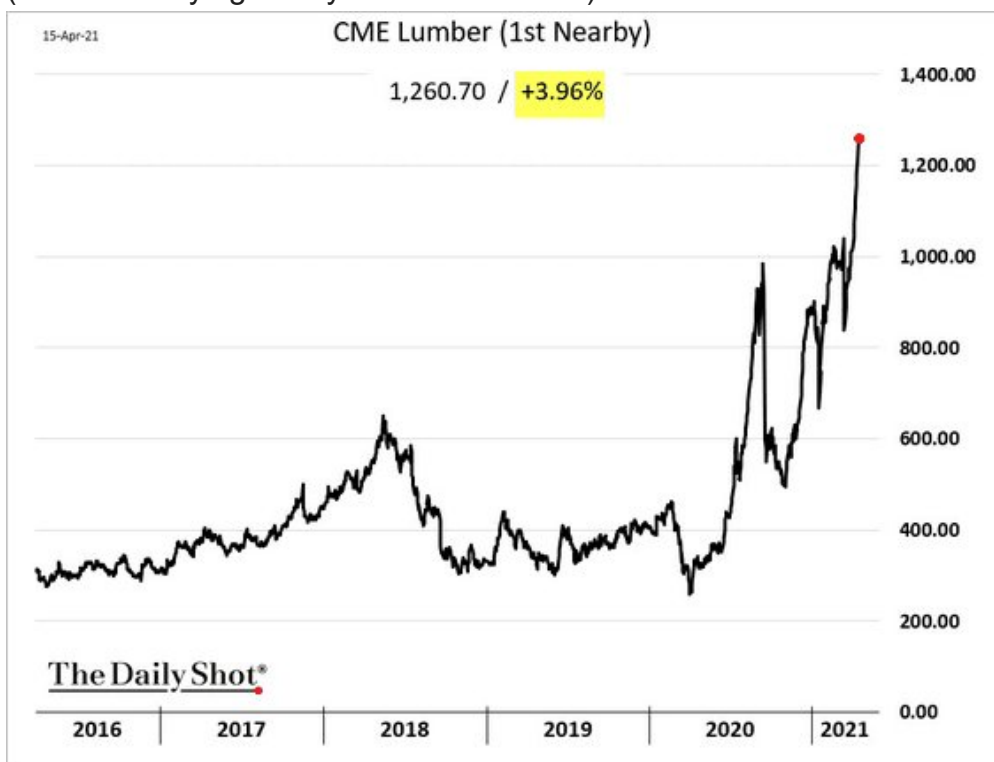


The Fed's balance sheet is approaching \$8 trillion. The central bank now owns over \$7 trillion of Treasury and Agency MBS debt (2nd chart). (Incredible chart.)

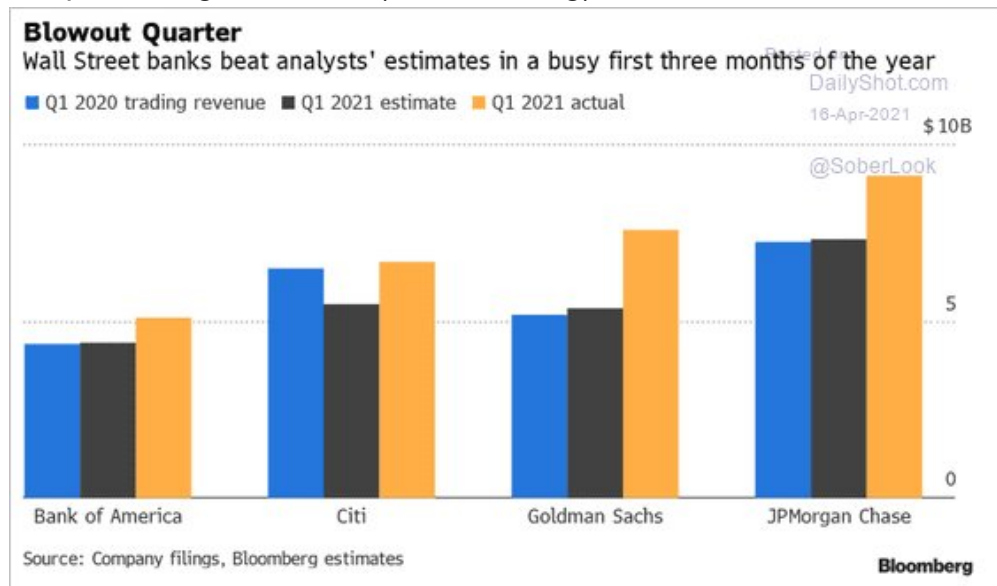




Lower US mortgage rates (above) sent lumber futures to new highs.
(Good luck trying to buy or build a house.)



Despite strong Q1 results (due to trading) ...



Source: @Tobin_Tweets

... bank shares underperformed as yields declined (see the **rates section**).



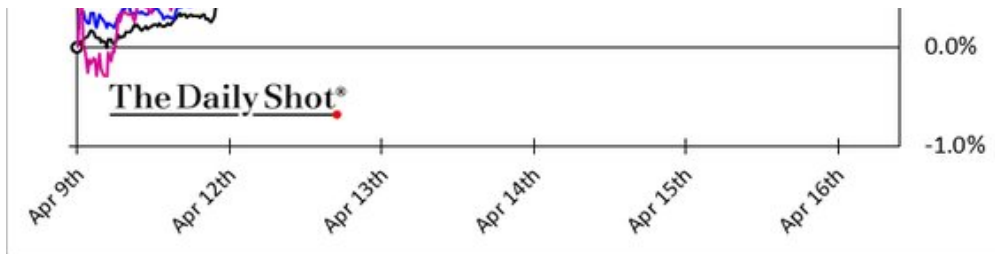
a few other sector trends.

- Tech:



- Healthcare:

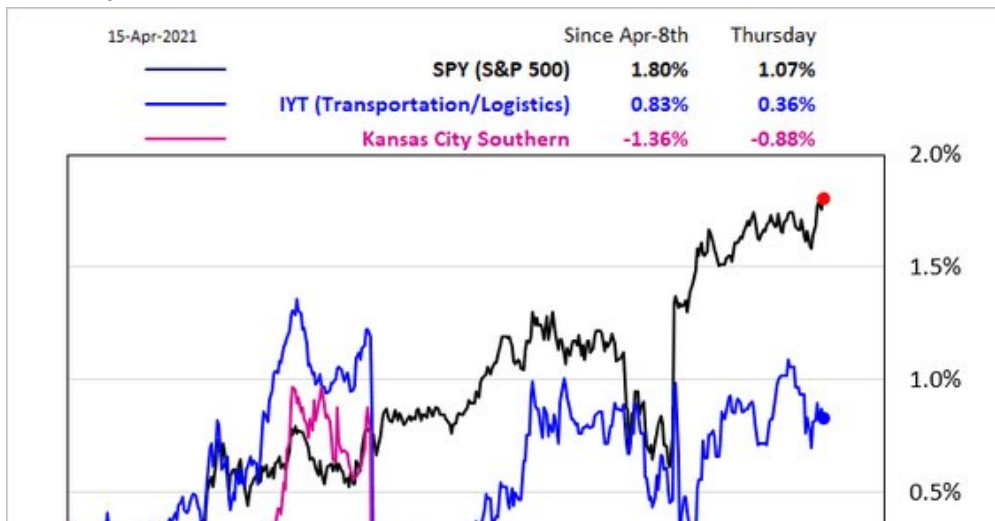


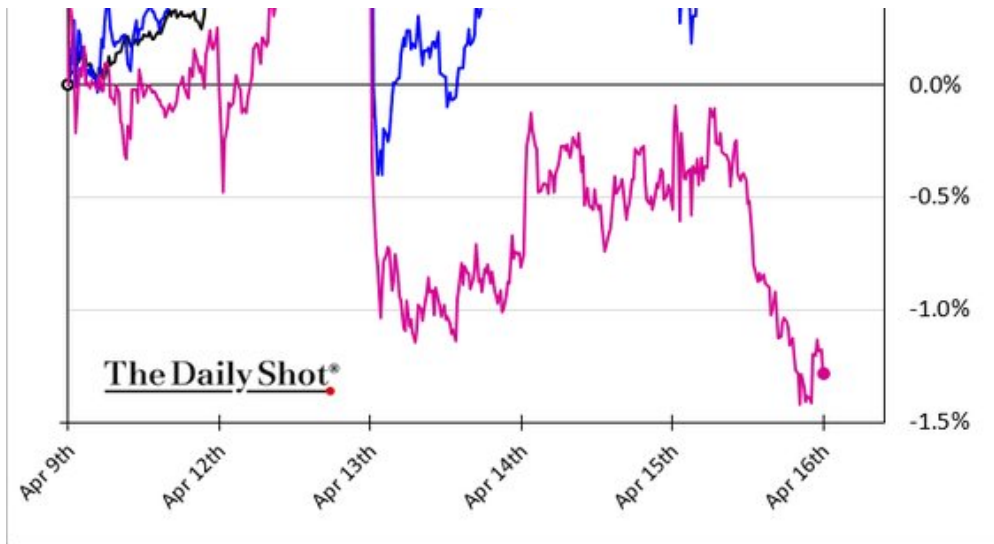


• Industrials:



• Transportation:





• Energy:



Which sectors should outperform in the next 12 months?

Which sectors should outperform the most in the next 12 months?

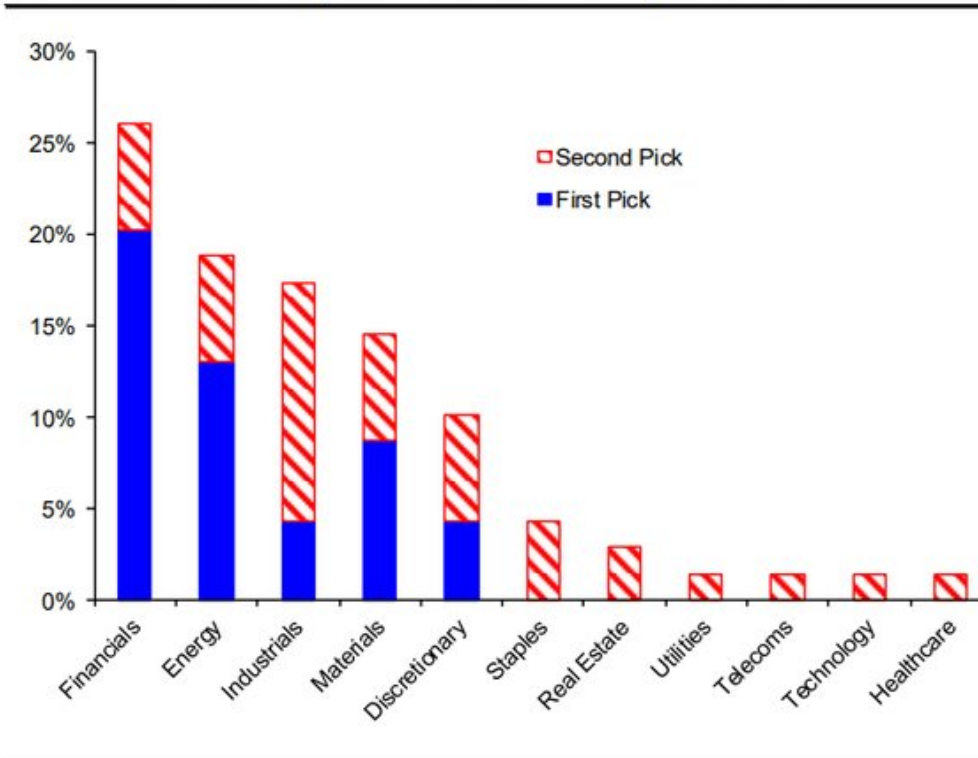
DailyShot.com

16-Apr-2021

@SoberLook

Exhibit 5: Quarterly Investment Survey – Q1 2021

Exhibit 9. Quarterly Investment Survey – Q1 2021



Source: Scotiabank GBM Portfolio Strategy, client surveys.

Source: **Hugo Ste-Marie, Portfolio & Quantitative Strategy Global Equity Research, Scotia Capital**

relative performance of some thematic portfolios.

- Cannabis:



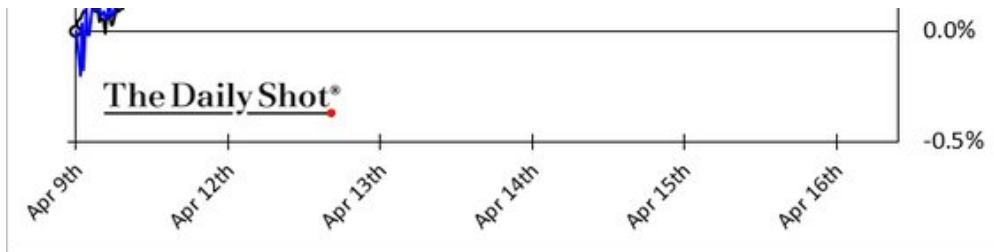
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• Clean energy:

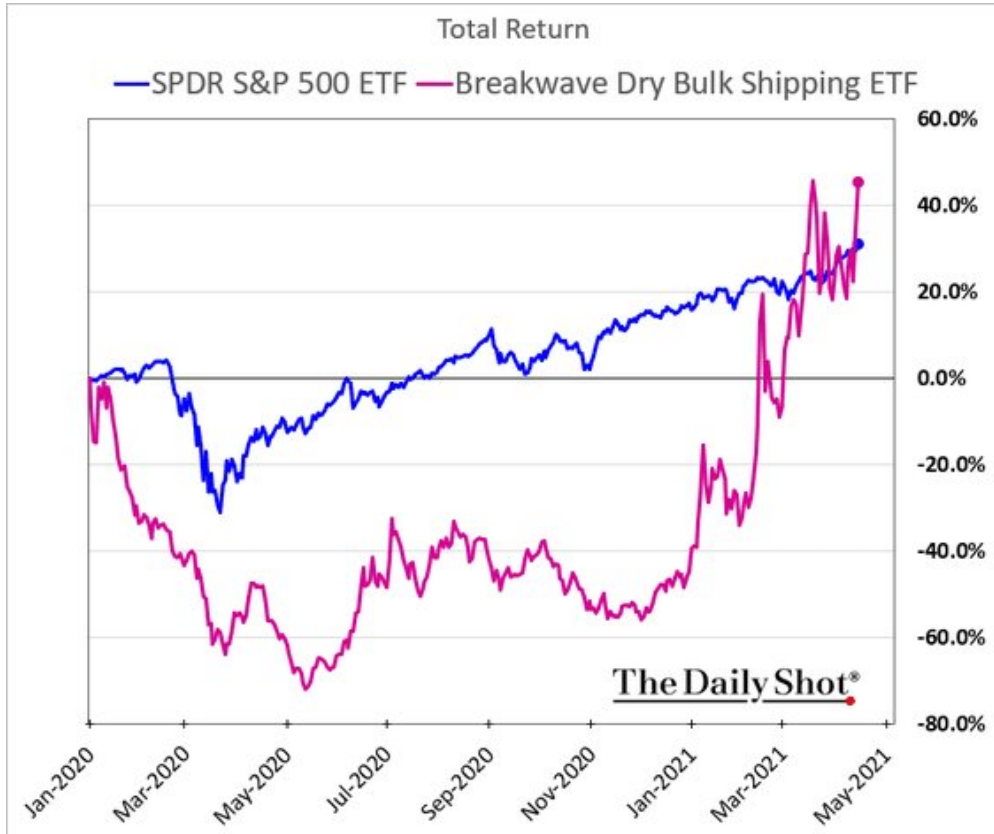


• Inflation-sensitive shares:





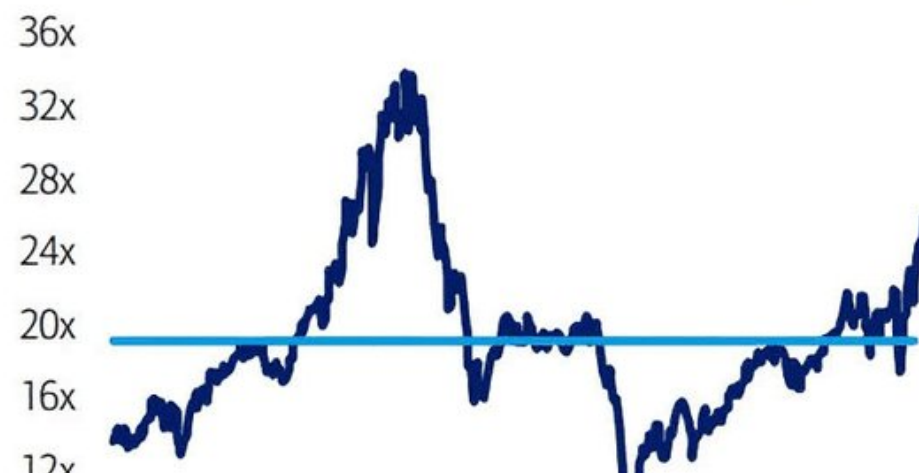
- Shipping stocks experienced a massive rally this year.

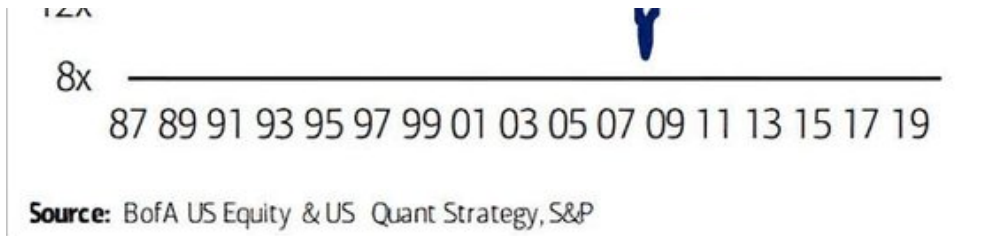


The S&P 500 normalized P/E ratio keeps climbing. (I have mentioned previously, but sell-side estimates are too low coming out of the pandemic.)

Exhibit 16: At 26x, the market is currently trading 35% above the historical fair forward PE of 19x

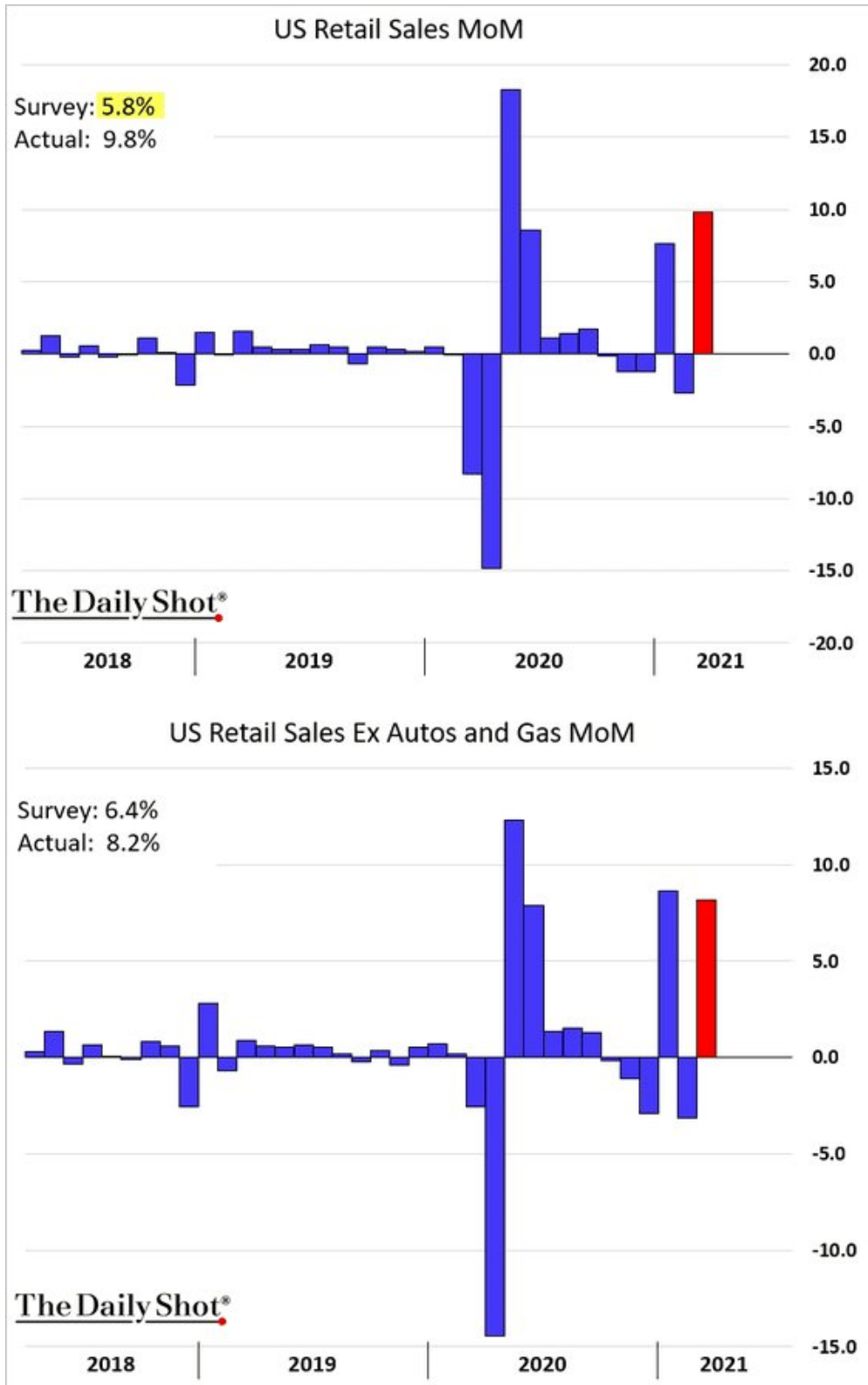
S&P 500 Normalized P/E Ratio (1987-present)



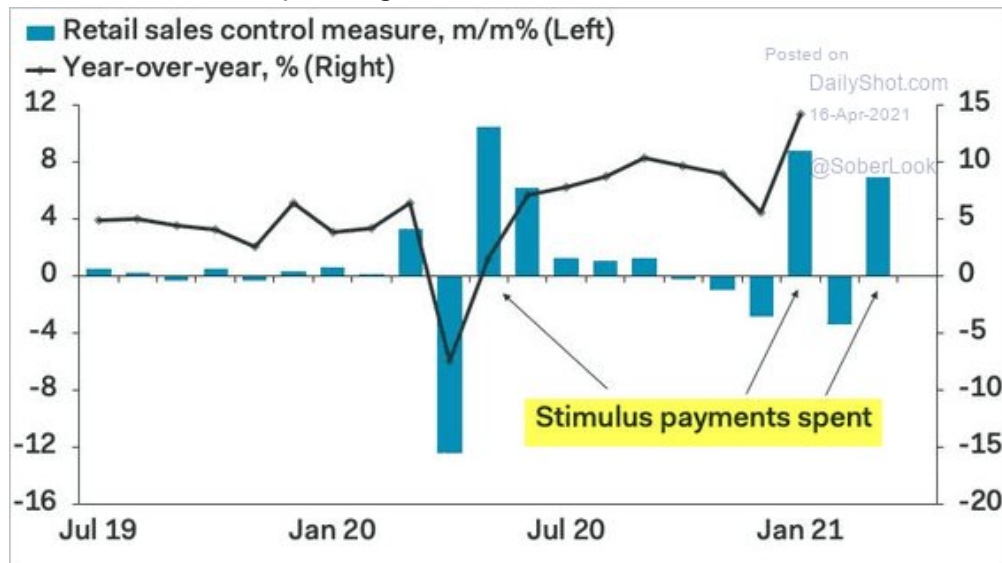


Source: @ISABELNET_SA, @BofAML

The nation's economic growth is accelerating. Retail sales rose nearly 10% in March. (Americans like to spend when they have money.)

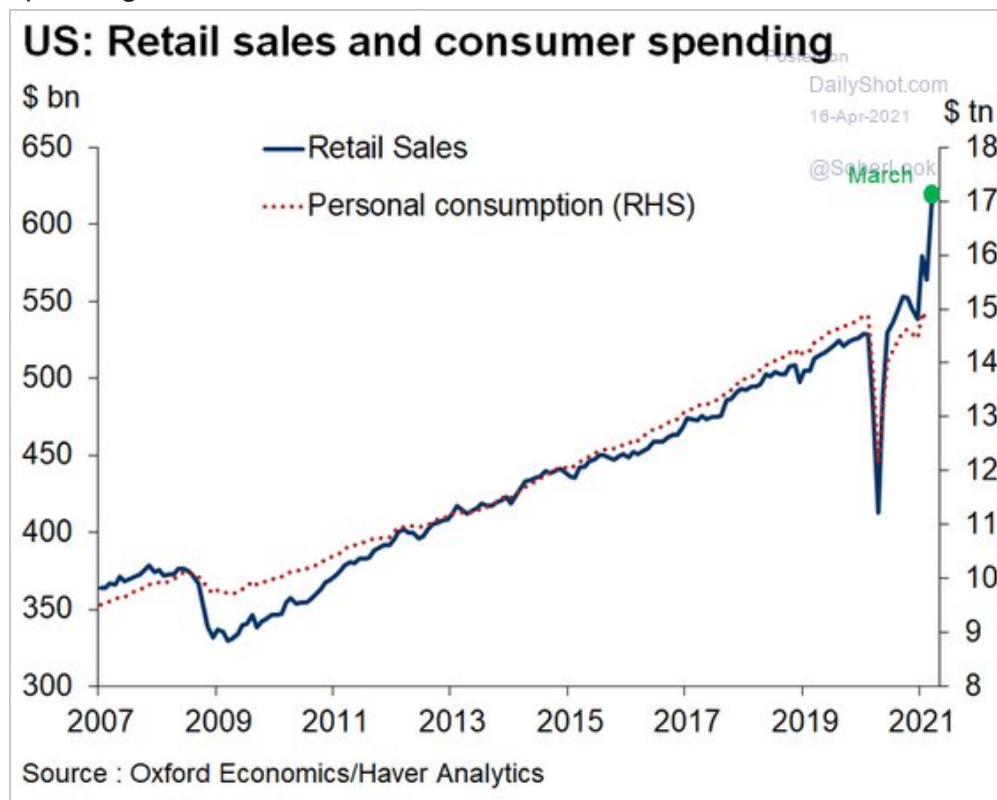


- Americans were spending their stimulus checks.



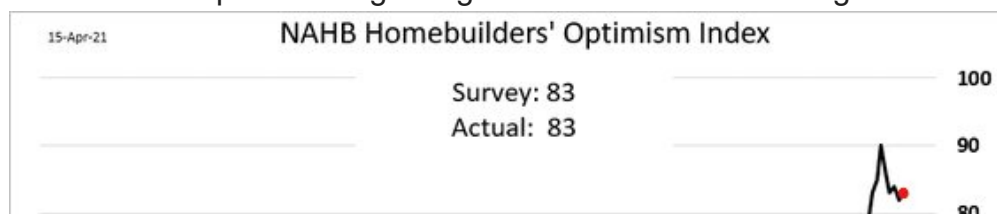
Source: **Pantheon Macroeconomics**

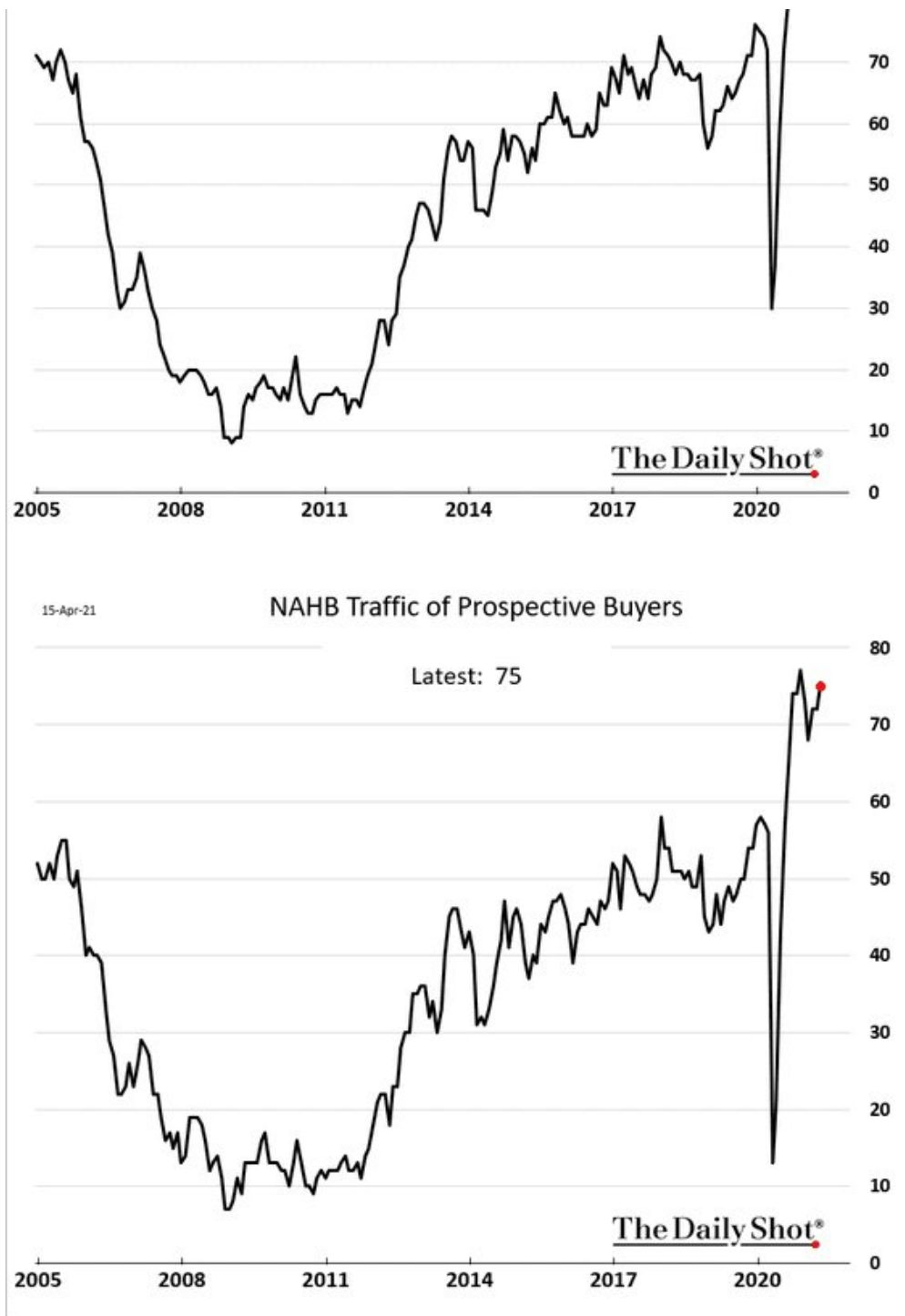
The spike in retail sales means a much stronger overall consumer spending.



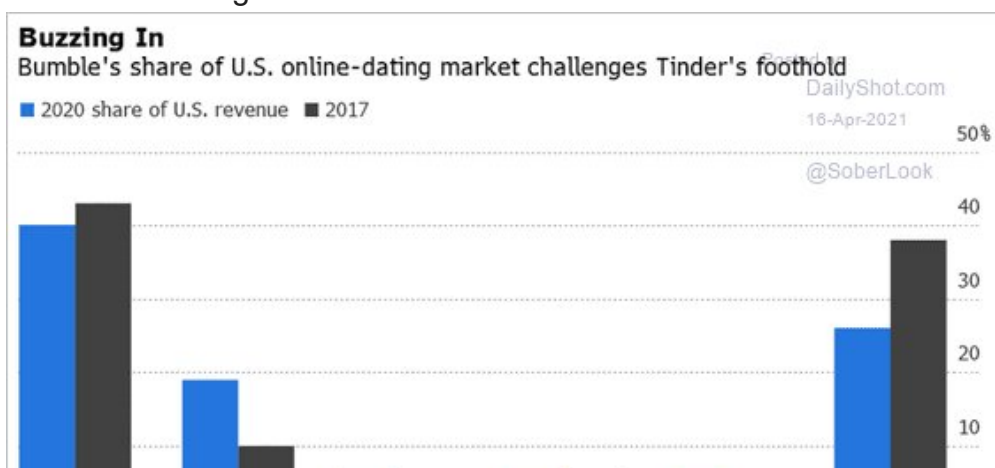
Source: **@GregDaco**

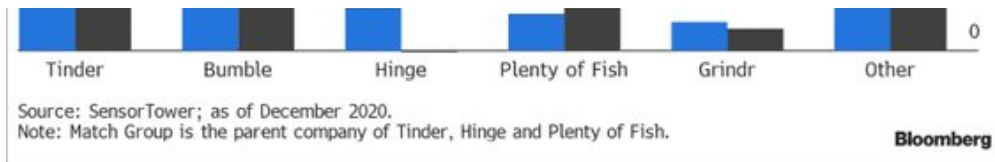
Homebuilder optimism edged higher this month amid strong demand.





The online dating market:





Source: @markets [Read full article](#)

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