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The upcoming US presidential election could potentially have a big impact on US equity markets and, so perhaps, the big news last week was Joe Biden picking Kamala Harris as his running mate. Since the S&P 500 index was created there have been 23 elections, and when a Democrat has replaced a Republican as President the total return for the first year has averaged a *negative 2.6%*

Also last week, the only strategist, of the many that I follow, who correctly called the market low in March and the full recovery of US equity markets, predicted, *"we believe if the S&P 500 re-attains 3,393, we will see a very fast move to 3,500."* Recent US data shows there is close to $5 trillion in money market funds so there is lots of buying power out there**.**

Talking of the election, because of the very large number of mail-in votes anticipated, the expectation is that the final result may not be known for weeks. Put all this together and, I think, if we do get a further big market up move before November, some selective profit taking may be prudent.

Amazon and one of the largest property and mall owners in the USA (Simon Property) are discussing using empty space as distribution hubs. The CEO of Riocan, one of Canada's largest REIT's, hinted of a similar repurposing of empty space in a talk a couple of weeks back.

US Retail Sales in July exceeded pre-Covid levels, China reported similar strong retail and industrial production numbers, but analysts worry (as is their wont) that the best is over and momentum will wane going forward.

In another example of investors desperate search for income: Aluminum can maker Ball Corporation secured the lowest-ever borrowing costs for a **US junk-rated** company raising $1.3 billion through a 10-year bond, paying an annual coupon of 2.875 per cent.

I sometimes think analysts and investors forget that successful companies are run by competent, experienced management and so when challenges arise, such as this pandemic, they react by taking positive action to restore profitability – a few examples:

- **Wynn Resorts:** "we have made operating expense adjustments with a focus on non-labor fixed cost. As a result, we anticipate that we will break-even at approximately 40% of Q4 2019 gaming volumes."
- **Delta Airlines:** "In June, our daily cash burn for the month averaged $27 million, a substantial improvement from the $100 million per day that we were experiencing in late March. The major force in that improvement is our cost performance which has been remarkable as we'll take out over 50% of our total operating expenses for both the June and September quarters.".
- **Marriott International:** "We've been able to reduce the current break-even profitability rate at our hotels around the world by 3 to 5 percentage points of occupancy to help our owners preserve cash."
- **Carnival Cruise Lines :** "We have brought down our operating costs by over $7 billion on an annualized basis, and we've reduced capital expenditures by more than $5 billion over the next 18 months... We have secured over $10 billion of additional liquidity to withstand another full year in a zero revenue scenario."

Last week I wrote " ....*I have stated this before and it's worth stating again, although interest rates may well stay very low for some years, the above measures are inflationary, and I firmly believe consumers are going to see higher costs everywhere from food, restaurants, travel, and even your local* *vet*." This week, further examples as a huge shortage of building supplies, especially lumber, were reported and reinsurance companies are pushing through <u>double digit premium increases</u> for all sorts of property and casualty risks.

And through all this how did stock markets do last week? Overall, pretty good!! Ex-North America lead the way with Japan being the big winner gaining 4.3%, Hong Kong gained 2.66% and the major European bourses were up around 1.5%. The Dow and most of the major US sectors all produced modest gains. Our TSX had a modest loss, mainly caused by a 10% drop in Shopify and a pullback in gold shares. As I have commented before, money flows continue to leave the US resulting in a rise in most currencies against the greenback. I expect this trend to continue as we approach November's Presidential voting date.