THREE RECORDS OF NOTE

The week ended mixed with some major indices and sectors recording strong up moves, while others fell sharply:

Notable **"ups"** the Nasdaq gaining 3.69%, China's Shanghai rose 3.54%, S&P500 Real Estate up 4.10%. **The losers**: US energy sector down 4.23% as major energy companies reported both dismal earnings and future prospects and most European marks also fell 3% or more as renewed concerns over a resurge in Covid cases and the timeline for a sustainable economic recovery.

Good news is that investors should see higher values on their portfolios for the month compared to June as both our TSX and major US indices ended July higher.

What stood out for me was 3 notable records:

1. For the first time since 1978, **5 technology companies** – Facebook, Amazon, Apple, Google and Microsoft accounted for **20% of the value of the S&P 500** index. In other words of the 500 major public companies in the US, these five make up a fifth of the market value. AND the first time all are in the technology sector.

2. The real yield (or return) on **10 year US bonds** ***hit MINUS 1% on Friday*** . Real return is the interest yield less inflation, in other words after adjusting for inflation, you are losing purchasing power every year if you invest in such bonds. Factor in taxes and the result is even worse. Canadian bond investors face the same predicament. Expectations are that the US central bank will not raise interest rates until at least 2023. Thus the yield on the benchmark 10 year treasury is at its all-time low of 0.55% and likely to stay there or go even lower

3. The price of **gold hit an all-time high**. Escalating US – China rhetoric, a weakening US dollar, Central Bank buying amongst the many reasons. Regular readers will recall I said this last week:

> "**Last but not least, gold was up almost 5%,…..** Many reasons for this, and if you are a believer of technical price chart patterns as I am, a move to new highs potentially means a double or more in the gold price in the years ahead. For reference, the last time gold charts exhibited this big "saucer" shaped pattern was the mid-nineties to 2005 and following that price move above the previous high price, gold surged higher for 5 years. If it follows a similar pattern this time *(and note that is a big IF)* the eventual price target over 5 years could be as much as $5,300 an oz."

As we head into late summer the major US and Canadian stock markets are holding comfortably above key price support levels. **Putting potential downward pressure** is the renewed and widespread increase in Covid cases. Also of concern will be the 3rd quarter economic numbers as many states remove business restrictions only to put them back on again. Add in the US Presidential election in

November and growing China – US tensions and a sudden 10% or more market decline is very possible.

On the other hand, good news on the vaccine front, plus renewed fiscal stimulus in the way of continued payroll support and the most likely result would be an unprecedented rally in Covid impacted companies such as airlines, hotels and consumer discretionary shares.

I watch with bated breath.