



Daily Macro Insights: A healthy market pause

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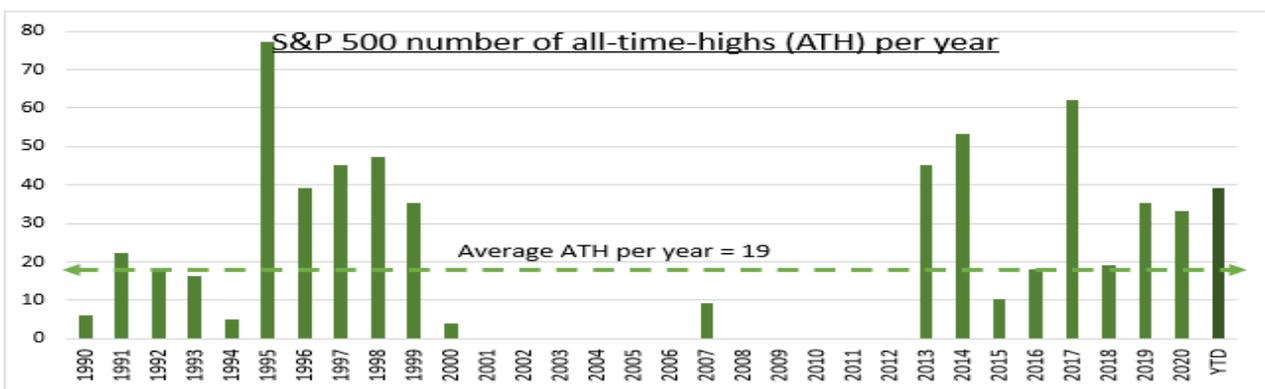
VOLATILITY RETURNS: The fundamental cause of recent volatility is the surge in delta variant cases, producing a global ‘growth scare’ that the GDP and earnings rebound will be derailed. This has combined with a fertile technical backdrop, of post-crisis low volatility, strong investor [sentiment](#) (both contrarian negatives), and July seasonality (historically worst month of year), to drive a healthy market pause. We see this as temporary and a new opportunity for cyclicals.

NOT CORRECTION: We see this as a healthy market pause after big gains, not a ‘[correction](#)’, defined as a -10% lower market. We fell only -3% to the recent trough. Corrections are rare, with 24 the past forty years, and average -16% over seven weeks. 5% falls are more common, averaging three a year. History favours buying them, as the fundamental outlook is unchanged.

ALL TIME HIGHS: The S&P 500 has seen 39 all-time highs this year (see chart), double the *annual* average, and if we continued at this pace it would challenge the record from 25 years ago. This is another indicator of how unusually strong this year has been already, as the growth rebound broadens, and therefore not surprising we see some bouts of uncertainty on the way.

OUR VIEW: This current scare is like the ‘beta’ variant surge in March that saw a c4% S&P 500 pullback. Cases to rise, but vaccinations are more widespread, preventing hospitalizations, and the silver lining is that the case surge is boosting vaccine rollouts in laggards like Japan and Australia and among unvaccinated in countries like US and UK. This is a ‘second’ opportunity to buy lagged growth-sensitive cyclicals like financials (XLF), commodities (XLE), and ‘[re-openers](#)’.

TODAY: FAANG Netflix (NFLX) Q2 showed ‘streaming wars’ pain with Disney (DIS), Comcast (CMCSA), Amazon (AMZN). Slower post-crisis subscriber growth continues, with video game expansion and big content pipeline the hopes. Q2’s 1.5m new subs are small vs the 208m base.



Source: S&P Dow Jones Indices,

Ben Laidler, Global Markets Strategist. Email: benla@etoro.com

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