



Daily Macro Insights: The remorseless rally in context

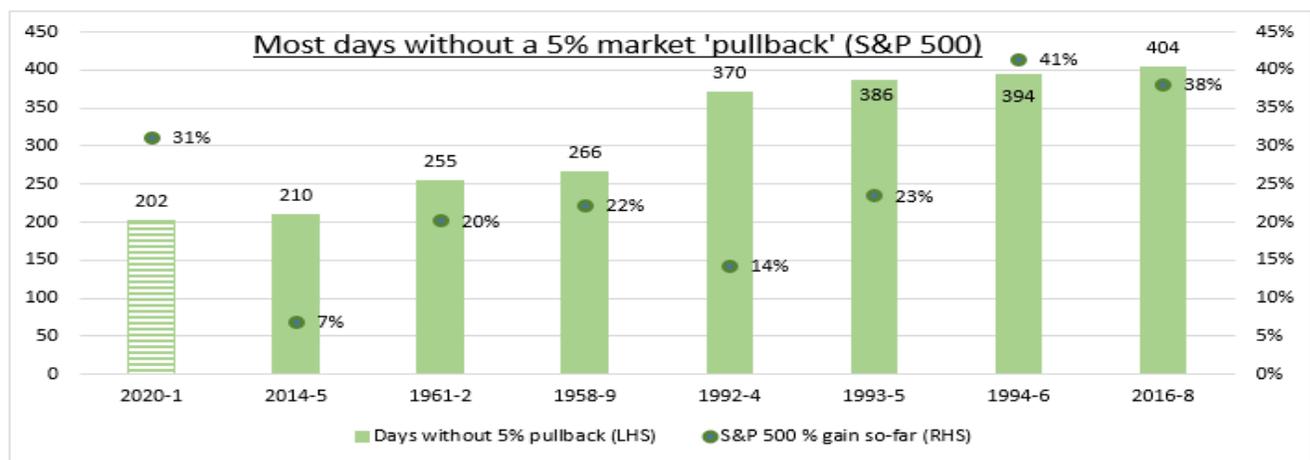
25/08/2021

NO PULLBACK: US equities have been in a remorseless rally, without even a 5% 'pullback', let alone a 10% 'correction', since last November. This puts it amongst the eight longest winning streaks without a pullback in S&P 500 history (see chart), along with one of the strongest returns. Continuing the history lesson, the index has only seen three years (2017 was the last) in the last fifty with no pullback, and an average year seeing three pullbacks.

BUY-THE-DIP DRIVERS: We see three rally pillars and its strong buy-the-dip mentality. **1) More investors.** US retail investors hold more equities than ever, with 20% new to the market, and household finances healthy. Corporate buybacks have surged and historically been the biggest equity buyer, whilst foreign interest is significant with '[home bias](#)' still far too high. **2) TINA (There Is No Alternative).** With US 10-year bond yields at 1.3% and money cash rates 0.1% there are few alternatives to equities. Yields will rise but remain a fraction of the 4%+ levels in exits from last two recessions. **3) Fundamentals.** Q2 earnings hugely surprised and 2021 estimates are far [too low](#). Strong earnings and low bond yields are supporting high valuations, with our 'fair value' P/E back in line with current valuations.

STILL POSITIVE: A pullback of some sort is well-overdue, but we continue to see the market as well-supported and to successfully climb the so-called 'wall of worry', from the third virus wave, upcoming Fed policy tightening, and China's tech crackdown. Forward S&P 500 returns from the seven even-longer rallies in the chart below were generally positive.

TODAY: Europe' PMI was the only positive in Monday's global data. We look for Germany's Ifo business climate index (est. 100) near highs, to further support our positive equity view.



Source: Dow Jones, Refinitiv,

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