

WEEK IN REVIEW

FRIDAY, MAY 7TH 2021

1. PAYROLL GROWTH SLOWS MORE THAN EXPECTED

April nonfarm payroll grew by 266,000, below consensus expectations of 975,000. The leisure and hospitality segment continued its recovery, while sectors such as temporary help, transportation, and retail saw job losses. The slowdown in job growth is juxtaposed against a backdrop of near-record job openings.



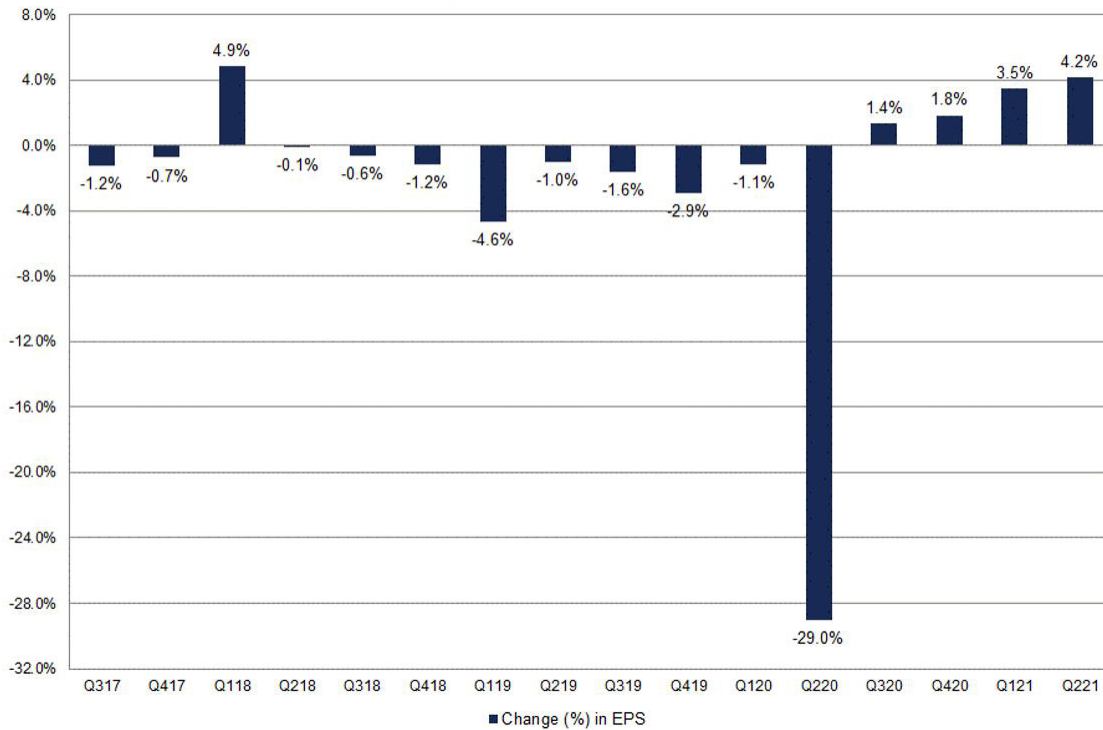
Source: <https://fred.stlouisfed.org/series/JTSJOL>

Early signs of wage pressures are appearing with average hourly earnings up 0.7% versus an expectation of 0.0%. Labor force participation also remains low. If labor force participation remains low with high job openings, wage pressures may persist. However, labor force participation may increase as federal relief fade over the coming months relieving pressure on wages.

2. S&P 500 Q2 EARNINGS SURPRISE BEST SINCE 2002

Per Factset, during the month of April, analysts increased earnings estimates for companies in the S&P 500 for the second quarter. The Q2 bottom-up EPS estimate increased by 4.2% (to \$43.73 from \$41.98) during this period. The second quarter marked the second-highest increase in the bottom-up EPS estimate during the first month of a quarter since FactSet began tracking this metric in 2002, trailing only Q1 2018 (+4.9%). It also marked the fourth straight quarter in which the bottom-up EPS estimate increased during the first month of the quarter.

Change in S&P 500 Quarterly EPS: 1st Month of Qtr.
(Source: FactSet)



Source: <https://insight.factset.com/second-highest-increase-in-sp-500-eps-estimates-for-q2-2021-since-2002>

At the sector level, nine sectors recorded an increase in their bottom-up EPS estimate for Q2 during the first month of the quarter, led by the Energy (+16.0%), Financials (+9.2%), Communication Services (+8.9%), and Materials (+8.9%) sectors. On the other hand, two sectors recorded a decline in their bottom-up estimate for Q2 during the first month of the quarter: Consumer Discretionary (-5.7%) and Consumer Staples (-1.7%).

3. COVID CASES AND VACCINATIONS RISE

Since vaccination efforts began in the US on December 14th, more than 251 million doses have been administered and more than 108 million people were fully vaccinated per the CDC. The US is currently administering around 2.4 million shots a day, down from over 3 million as the supply of vaccines is beginning to catch up to demand. Daily new coronavirus cases in the US are now averaging back below 50,000 per day. The largest decreases in cases are in states with the highest vaccination rates.

Total Vaccine Doses	People Vaccinated	
	At Least One Dose	Fully Vaccinated
Delivered 324,610,185	Total 149,462,265	108,926,627
Administered 251,973,752	% of Total Population 45%	32.8%
Learn more about the distribution of vaccines.	Population ≥ 18 Years of Age 147,079,927	108,058,616
	% of Population ≥ 18 Years of Age 57%	41.9%
	Population ≥ 65 Years of Age 45,406,761	38,398,045
	% of Population ≥ 65 Years of Age 83%	70.2%

About these data

CDC | Data as of: May 6, 2021 6:00am ET. Posted: Thursday, May 6, 2021 9:32 PM ET

Source: <https://covid.cdc.gov/covid-data-tracker/#vaccinations>

Children aged 12-15 may be granted emergency use authorization (EUA) for the vaccine as early as next week. An anonymous federal official told the Associated Press that the FDA is expected to expand its EUA for Pfizer's two-dose vaccine. Potential exists for even younger children to be approved by the fall for Pfizer's vaccine. Moderna is also running a study for those aged 12-17 which is due in the summer and would provide an additional supplier.

THINKING AHEAD

S&P 500 earnings season maintained strong positive surprises versus consensus as companies continue to recover faster than expected from the pandemic. Reported job growth slowed despite job openings reaching highs. US vaccinations steadily climb although at a slightly slower pace with prospects for a younger population being approved for the vaccine. Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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