

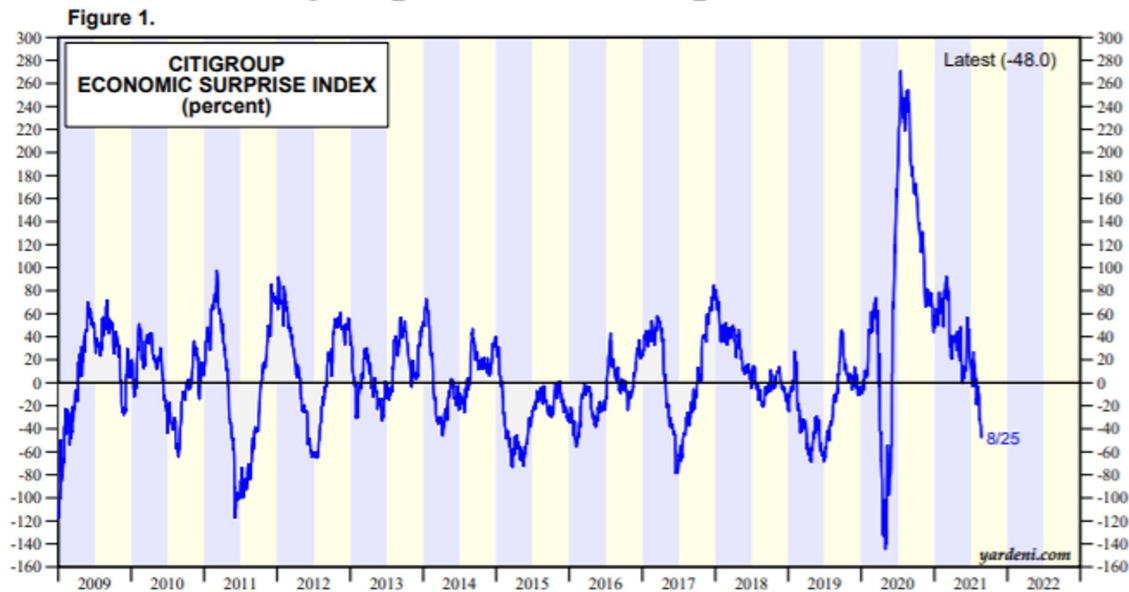
# WEEK IN REVIEW

FRIDAY, AUGUST 27TH, 2021

## 1. ECONOMIC SURPRISE DATA HAS FALLEN

The Citigroup Economic Surprise Index measures the degree to which economic data is either exceeding or missing expectations. The index reached historical highs last year and remained in positive territory through the first half of 2021 as the US economy rebounded much faster than expected from the pandemic. Recent economic data, while still positive and supportive of growth, is no longer beating expectations.

### Citigroup Economic Surprise Index

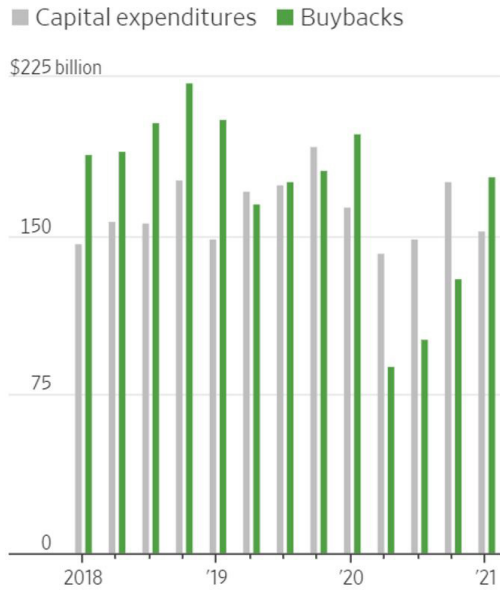


The recent performance of the index is not necessarily negative, but it does suggest that expectations have become harder to surpass. One element is that expectations have risen significantly over the course of the year, and the other element is that headwinds such as the rise of the Delta variant and on-going supply chain disruptions are having a moderating effect on some economic measures.

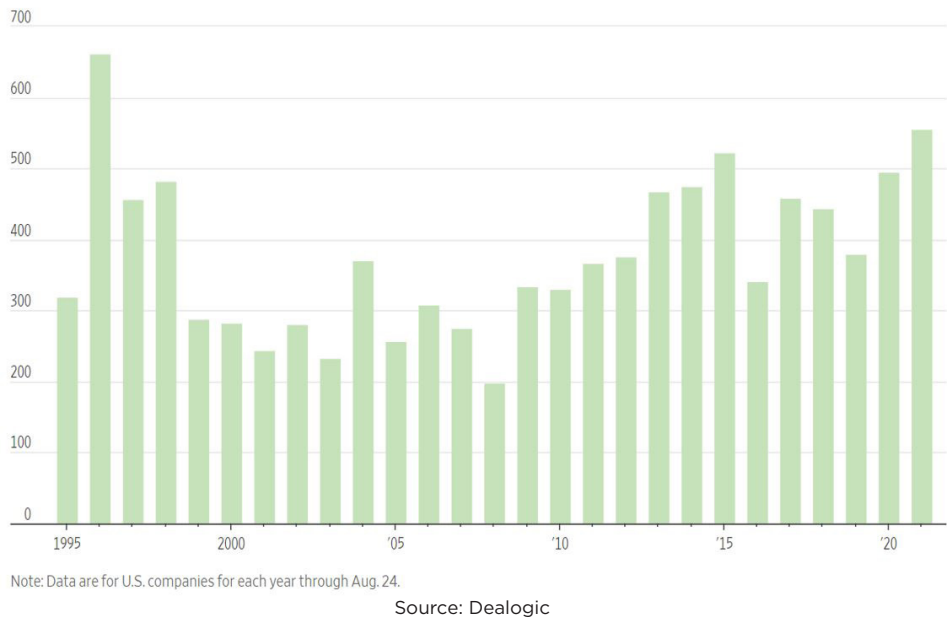
## 2. COMPANY STOCK BUYBACKS AND CAPITAL EXPENDITURES RECOVER

As reported in the Wall Street Journal this week, company expenditures on stock buybacks and capital expenditures have recovered in 2021. At the same time as some companies are buying back their stock, other companies have been issuing additional stock at the highest rate since 1996.

**S&P 500 companies' capital expenditures and buybacks, quarterly**



**Follow-on offerings year-to-date**



While at first glance contradictory, the data is consistent with a positive outlook by both buyers and sellers of stock. For the buyers, US companies in aggregate are sitting on a record high level of cash. In addition, some self-imposed or regulatory constraints have been lifted enabling increased share repurchases. For the sellers, economic and market expectations are positive, and the gates have been opened to raise capital for growth and restructure balance sheets.

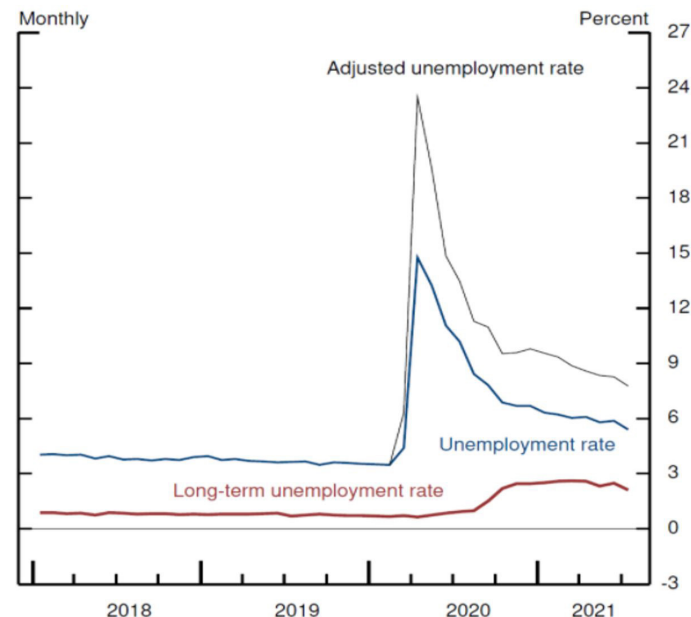
### 3. JACKSON HOLE FEDERAL RESERVE MEETING

The Federal Reserve's virtual Jackson Hole symposium took place this week and included the much-anticipated comments by Fed Chairman Powell on Friday. Going into the meeting, incremental change was anticipated but comments by Fed members and their advisors raised expectations that tapering would be discussed due to concerns about inflation. Fed Chair Powell, however, focused on employment goals and suggested the need to support further job growth as the current unemployment rate remains above the longer-term targeted level.

Chairman Powell continues to assert that above-target inflation is temporary, and the job market has not recovered to a full employment level. The markets initial response to these comments has been positive as the Fed appears set to maintain its accommodative stance.

Source: US Bureau of Labor Statistics

**Measures of Unemployment**



Note: The data extend through July 2021. The long-term unemployment rate is the share of the labor force that has been unemployed for 27 weeks or more. The adjusted unemployment rate begins in February 2020 and is defined in footnote 5.

## THINKING AHEAD

New economic reports came out this week and while still strong, the positive surprises versus expectations are trending lower. The Fed's virtual Jackson Hole Symposium was highly anticipated and seemed to signal a continuation of the accommodative monetary policy.

Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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