STONEBRIDGE
Capital Advisors

The Stonebridge Market Commentary
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Equity Commentary provided by David Eckenrode
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Fixed Income Commentary provided by Jon Lynn
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Equity Commentary

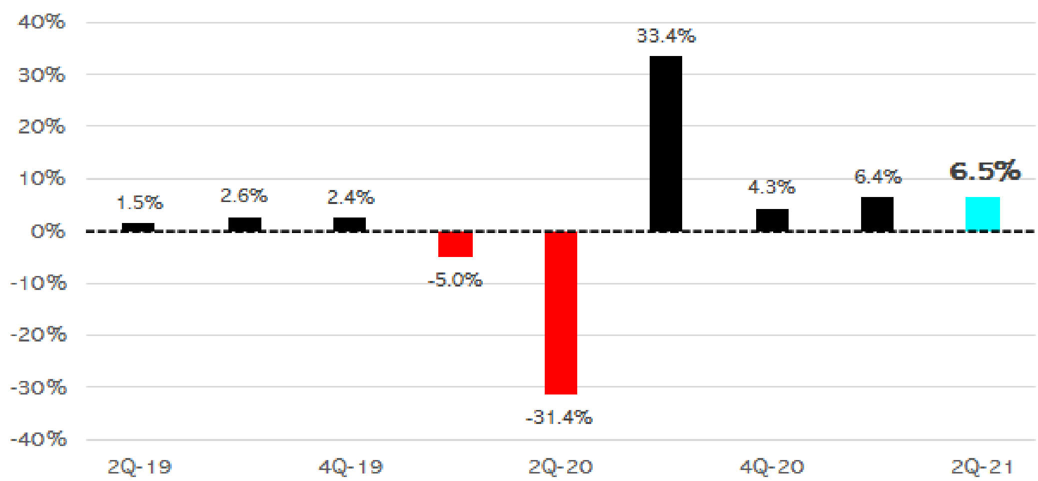
July has come and gone, and we are in the thick of second quarter earnings season. By all accounts it is going well, especially for the tech giants. They all knocked the cover off the ball on earnings, revenues, and the like with special attention to a few of the FAANG stocks. Facebook and Amazon had revenue misses, but they blew away on earnings. Both stocks fell on the revenue miss and light forecasts. Seems like it was just a short time ago that they were on the wane and new leadership was waxing. As they say, not so fast. Of course, there is the Delta variant of the COVID to be concerned about. This raises the fear of more mask mandates and lock downs which could have another impact on the market.

Then there is nascent inflation. We talked about this before but in short, we have bottlenecks in shipping and a shortage of truck drivers. We have energy rising and wage demands pushing higher. Interesting to note that we have 9 million unemployed and over 9 million jobs unfilled. Seems like a problem that could solve itself.

Amid all of this we have Consumer Confidence very high and GDP soaring, up 6.5% in the second quarter. That's good, but missed the expectation by 2%. Seems there was some significant draw downs of inventories. They will rebuild inventories in coming months.

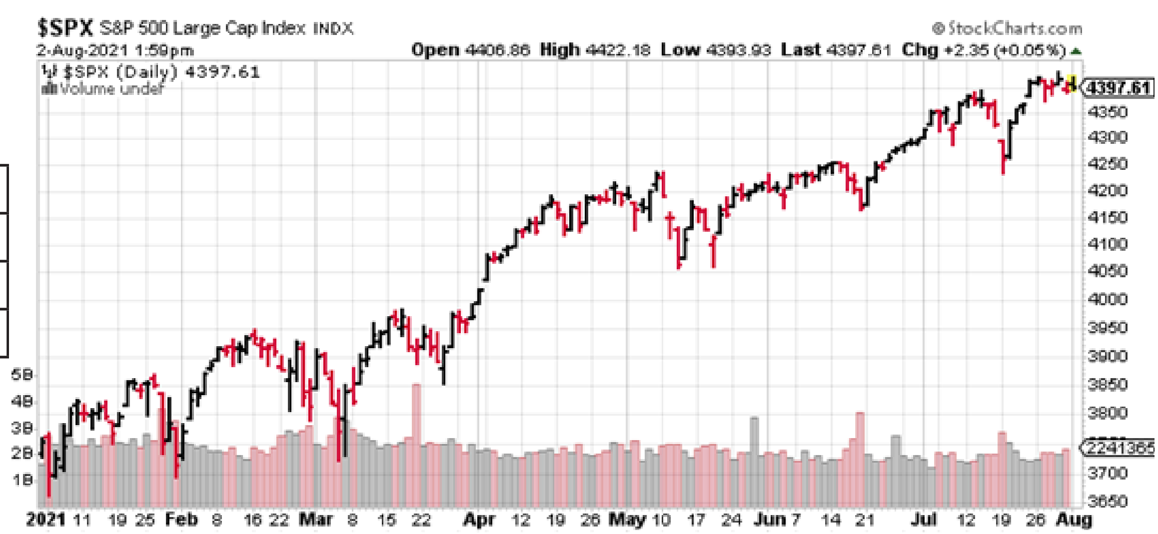
Consumer spending was up 11.8% in the quarter as well. With these facts on the ground, it is no wonder that the markets reacted positively. That makes it six months in a row of a positive S&P.

Real GDP Growth Q/Q



By the Numbers

	Month	YTD
S&P 500	2.27%	17.02%
Dow	1.25%	14.14%
NASDAQ	1.16%	13.85%



Fixed Income Commentary

Fixed income assets continued to turn in positive performance in July. We began the year below 1% on the 10-year Treasury before moving up around 1.75% in March. Yields have since dipped to below 1.20% as of this writing. 2-year notes spent much of the month priced in the 20-25 bps range but have rallied to around 17 bps now. Credit quality in the corporate bond market continues to improve along with the overall economy. In fact, S&P has made a record number of credit rating upgrades so far this year. High grade municipal credits continue to see such strong demand, the ratio of AAA-rated GO yields compared to taxable Treasuries have fallen on the short end into the 40% and 30% and below levels. In other words, the highest rated tax-exempt bonds are trading below the after-tax yield on Treasuries. Those would indicate investors should exercise some caution here and target only new bonds when they can be found at much higher ratios to taxable bonds to achieve some relative value. That is certainly our strategy in this environment—quickly jump on opportunities that offer added yield spread, continue to think defensively in terms of duration and coupons and don't overextend on credit risk.

Sources: Data sourced through Bloomberg, Morningstar, BEA, StockCharts

Disclosure: The views expressed here reflect those of the writers as of the date noted however completeness cannot be guaranteed. They may change as economic fundamentals and market conditions change. This commentary is provided as a general source of information only and is not intended to provide investment advice for individual investor circumstances. Past performance does not guarantee future results. Please seek the advice of professionals regarding the evaluation of any specific information, opinion, advice or other content.