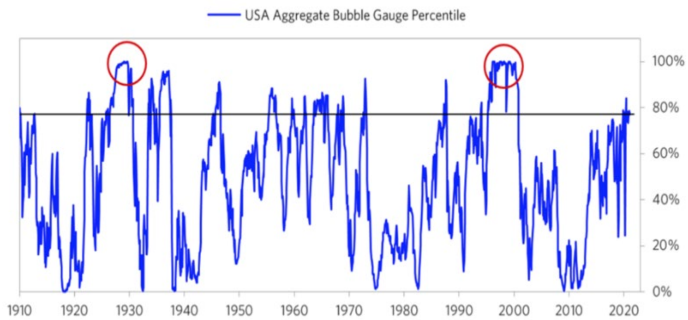
BLOG POST
Analyst Corner
Part 1
03/15/2021

Macro View – The World According to Yellen

Central banks have made it clear that accommodative policy will continue through Covid and into the recovery. The challenge investors face is understanding when and under what circumstances central banks will finally remove the punch bowl. As liquidity seeks yield in the midst of historically low rates in fixed income, stocks become the home for liquidity. This leads to a pricing of stocks based on central bank policy versus fundamental valuations. Bubbles emerge. The risk boils down to companies falling short of earnings expectations coupled with expectations not being met around the Covid recovery. Bubbles are only a problem until they burst. Ray Dalio and Bridgewater have created a “bubble indicator,” currently at about the 77th percentile, while hitting the 100th percentile in 1929 and 2000. Further, the stocks exhibiting extended valuations, or bubble territory, account for 5% of the top 1000 companies in the U.S.



Source: Ray Dalio

Taking Stock – Is It Time for Travel and Leisure?

361 Capital pointed out recently that technical analysis is beginning to look positive for travel and leisure stocks. World travel declined by approximately 60% in 2020, according to ICAO. The cruise lines were hit particularly hard during 2020. For example, Carnival’s (CCL) share price had gone from over $32/share late February 2020, to $7.50 by the beginning of April 2020. As of February 24, 2021, the share price has returned to over $27/share (CNBC). Wynn Resorts (WYNN) has already surpassed price levels pre-pandemic, trading around $108 per share the end of February 2020, compared to closing at $134.21 on February 24, 2021 (CNBC). Airline companies, reflected through the U.S. Global Jets ETF, JETS, is recently approaching pre-pandemic share prices. The bullish case for travel and leisure to continue their climb is the pent-up demand with the assumption that the vaccine is effective in driving economic growth.

Source: 361 Capital