



GLOBEINVEST
CAPITAL MANAGEMENT INC.

MARKET REVIEW

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MARKET COMMENTARY

Health concerns surrounding the Delta variant of the coronavirus are being offset by stronger than expected corporate profits and positive earnings revisions. Whilst rising case counts are worrisome, there is an available remedy and as such, it is unlikely to result in the return to widespread lockdowns. The robust price gains year-to-date for the broad equity indices have been driven by better earnings and not multiple expansion.

As economic conditions improve, central banks will inevitably begin to remove excess liquidity albeit at a very gradual pace with overall monetary policy remaining accommodative. The ongoing recovery in the labour market will counterbalance the expiration of fiscal support programs. With savings rates remaining at elevated levels, consumers have exhibited a willingness to spend as economies reopen.

Corporate capital spending expenditures (CAPEX) is accelerating this year given the strong rebound in corporate profits with a focus on automation, digitalization, and shift to cloud-based applications. Lower borrowing costs, governments' infrastructure spending and global transitioning to green energy are also boosting CAPEX. Lastly, a restocking of depleted inventories will contribute to the ongoing economic recovery.

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