MORNING BRIEFING
September 3, 2020

Happy & Unhappy Earnings Hooks

Check out the accompanying chart collection.

(1) Tracking the recovery's progress. (2) Global Growth Barometer bounces. (3) S&P 500 revenue and earnings estimates hooks still improving. (4) Tech and Health Care sectors earnings revisiting pre-COVID-19 levels. (5) The S&P 500 travel industry's earnings chart is U-G-L-Y. (6) China's domestic travelers give us hope. (7) Everyone wants to be the next Tesla. (8) EV startups do reverse mergers with SPACs to go public.

Strategy I: On the Way Forward. Our April 7 *Morning Briefing* was titled "The Way Forward." We optimistically wrote that "the market's recent action suggests that investors are betting on an economic recovery … as are we." The number of COVID-19 cases was slowing in New York State and in Europe. There was some progress in testing for the virus. We nominated Neil Diamond's song "Sweet Caroline" to be the pandemic's theme song, and concluded: "Hold off on touching and reaching out for a while longer, wash your hands often, and wear a face mask when you go out. Good times will be back."

We also observed: "It's encouraging to see that the forward P/Es of the S&P 500/400/600 have rebounded from their March 23 lows just as industry analysts have started to cut their earnings estimates for both 2020 and 2021." In subsequent commentaries, we predicted that earnings estimates would be cut rapidly, and would probably bottom by the middle of the year. Let's review the progress that has been made since then:

(1) *Global growth.* Our Global Growth Barometer (GGB) has rebounded 35% from April 21, when it bottomed at 50.4, through September 1, when it was up to 68.0 (*Fig. 1*). Over the same number of days, our GGB rose 29% from 50.6 on December 24, 2008 to 65.2 through May 6, 2009. The current V-shaped rebound in our GGB is confirmed by the V-shaped recovery in the global M-PMI from a cyclical low of 39.6 during April to 51.8 in August (*Fig. 2*).

(2) *Global revenues.* The rebound in global economic activity has stopped the freefall during the spring and early summer in MSCI forward revenues around the world (*Fig. 3*). The forward

revenues for the US MSCI seems to have bottomed during the June 4 week, and is up 2.5% since then through the August 27 week. S&P 500 forward revenues has traced out a similar bottom and recovery, suggesting that actual S&P 500 revenues bottomed during Q2 (*Fig. 4*). If so, then actual revenues dropped 16.3% during the lockdown recession. That compares to the 20.4% fall in revenues during the Great Financial Crisis.

(3) *S&P 500 forward earnings.* There has been a significant upward hook in analysts' consensus expected S&P 500 operating earnings for Q2 (*Fig. 5*). At the start of the current earnings season, earnings were expected to be down 43.3% y/y. The actual result is -32.2%.

The consensus earnings estimates for both 2020 and 2021 started bottoming in recent weeks (*Fig. 6*). As a result, S&P 500 forward earnings bottomed during the May 14 week, increasing 9.6% through the August 27 week.

Strategy II: More Earnings Hooks. For most of the sectors and industries in the S&P 500, forward earnings bottomed during the May 28 week and have started to gradually inch back upwards. What's interesting are the outliers, the sectors and industries where earnings are at or approaching new highs or continuing to fall to new lows. Here's a quick look at some of the industries with the most resilient earnings:

(1) *Tech & Health Care lead.* Forward earnings-per-share estimates for the S&P 500 Technology and Health Care sectors have rebounded from cuts earlier this year and are at or near new highs. COVID-19 certainly had a hand in this, as businesses, consumers, and schools all have needed technology upgrades to work and learn from home. Forward earnings for the Consumer Staples and Utilities sectors also are close to their highs, but the estimates never really fell by much (*Fig. 7*).

(2) *Home & healthcare benefit.* There are also industries with forward earnings-per-share estimates that are hitting all-time highs. Some we've discussed in the past, including the S&P 500 Home Improvement Retail industry, which has benefitted from homeowners' urge to renovate while spending more time at home (*Fig. 8*). A number of the industries in the S&P 500 Health Care sector—including Managed Health Care, Pharmaceuticals, and Biotechnology—have forward earnings-per-share estimates at or near new highs thanks in part to the money being spent to find a cure for COVID-19 (*Fig. 9* and *Fig. 10*).

(3) *Apple & Microsoft propel forecasts.* As you'd expect, there are a number of record forward earnings levels in the S&P 500's tech crowd, including the forward earnings for the Technology Hardware, Storage & Peripherals industry, home to Apple; the Systems Software industry, home to Microsoft; and the Semiconductor Equipment industry (*Fig. 11* and *Fig. 12*). More unexpected are the highs in the Industrial Gases and Metal & Glass Containers industries (*Fig. 13* and *Fig. 14*).

Consumer Discretionary: Travel Industry's Forecasts Still Falling. A picture may be worth 1,000 words, but the chart of the S&P 500 Hotels, Resorts & Cruise Lines forward earnings per share replaces just one word: "ugly." Estimates have been falling since February 13, and they have yet to bottom (*Fig.15*). At their peak during the January 2 week, the industry was expected to earn $39.10 over the next 12 months; now it's expected to lose $19.50 over the next 12 months.

Here in the US, international travel is out, and domestic road trips are in. Most countries have closed their borders to US residents, and TSA checkpoint travel numbers remain depressed, with 516,000 travelers flying in the US as of September 1, down 77% from on March 1's 2.3 million (*Fig. 16*). However, the amount of gasoline usage has rebounded nicely, to 8.9 million barrels per day (four-week ma, sa), down only modestly from last year's 9.7 million barrels and much higher than the low of 5.3 million barrels in April when we were all quarantined (*Fig. 17*).

Consumers in countries that have reduced COVID-19 infections appear more mobile and willing to spend. Cruising has restarted in some parts of Europe. Chinese consumers are hitting amusement parks. This implies that once Americans feel safe and restrictions are lifted, the travel industry will fly high again. Let's look at some of the industry's recent developments:

(1) *Cruising again in Europe.* Cruise ships are very, very slowly returning to the seas. In Europe, the authorities in Italy and Greece are allowing cruises to resume, with limitations on where they can go and whose citizens are allowed on board. Americans, for example, are not welcome. Operators of small ships have resumed river cruises in Germany and Central Europe. And domestic cruises have restarted down China's Yangtze River and out of Taiwan.

MSC Cruises is one of seven cruise lines that has resumed sailing in Europe, an August 28 *WSJ* article reported. All MSC crew members and travelers were tested for COVID-19 before boarding the 5,000-person ship. Most ships are operating far below capacity to avoid crowding and provide quarantine cabins for anyone who gets sick. Buffets are out, and table service in. Guests are asked to remain socially distant or wear masks.

That said, the cruise business remains a long way from smooth sailing. Cruise lines aren't docking in Spain because of its COVID-19 resurgence. Norwegian cruise operator Hurtigruten suspended its cruises in early August after 62 people tested positive for COVID-19 on its 530-person Artic cruise ship. In the US and Canada, cruises lines won't be cruising through October; Australia's ban goes through September 17.

(2) *China's packed theme parks.* The Chinese government's ban on foreign travel has been a boon for domestic travel, which in August had nearly recovered to pre-COVID-19 levels. Chinese residents are exploring their own country and visiting amusement parks. There are about 160 large-scale theme parks operating in China, triple the number that was operating 10 years ago, an August 29 *WSJ* article reported.

(3) *Hilton & Marriott seeing gradual recovery.* Things aren't great in the hotel industry, but they're a heck of a lot better than they were in April. Hilton Worldwide Holdings reported that system-wide occupancy rose from a low of 13% to about 45% in early August, with all major regions improving. At Marriott International, global occupancy was 31% in July, up 19 percentage points from April.

China was among the first to emerge from the COVID-19 lockdowns, and its economy and travel industry have recovered the most dramatically. In China, Hilton's occupancy is around 60%. Marriott's China operation is improving in leisure travel, business travel, and group travel, and the country's revenue per available room should return to 2019 levels by 2021.

"With the virus mostly contained at this point, many domestic travel restrictions have been lifted [in China]; and the number of daily passenger domestic flights is now around 80% of pre-COVID-19 levels," said Marriott CEO Arne Sorenson on the company's August 10 earnings conference call. "While leisure and drive-to-destinations led the initial recovery; it is encouraging to see business transient as well as group also picking up nicely. Occupancy levels in Greater China have reached 60%, up significantly from the single digit levels in mid-February; and much closer to the 70% we saw at the same time last year."

Hopefully, the US hotel business will experience the same trajectory enjoyed by China once we have tamed COVID-19. In all, it will probably take two or three years for global hotel demand to return to levels enjoyed in 2018 and 2019, said Hilton CEO Chris Nassetta during the company's August 6 conference call. The hotel industry's recent bounce will be followed by a slower grind higher, hampered by a slow economy.

(4) *Not a pretty picture*. Forward revenue and earnings per share for the S&P 500 Hotels Resorts & Cruise Lines industry remains in a freefall (*Fig. 18* and *Fig. 19*). The industry's stock price index has bounced 84.1% from its low on April 3, but it remains down 40.8% ytd (*Fig. 20*).

The cruise lines stocks are dramatically underperforming the hotel stocks in the S&P 500 Hotels Resorts & Cruise Lines industry ytd through Tuesday's close: Norwegian Cruise Lines Holdings (-71.0%), Carnival (-67.5), Royal Caribbean Group (-48.7), Marriott International (-31.9), and Hilton Worldwide Holdings (-17.3).

Disruptive Technologies: EV Shakeout Ahead? Two megatrends are combining to potentially create the mother of all pileups. First, there's the race to become the next Tesla. The electric vehicle (EV) pioneer's shares have climbed 475.05% ytd through Tuesday's close (versus 9.2% for the S&P 500), giving it a $464.3 billion market capitalization. Car and truck companies old and new are racing to catch up by developing their own EVs. GM, Ford, Volkswagen, Porsche, Jaguar, BMW, Nissan, and Volvo, along with myriad startups, are expected to introduce offerings over the next year or two.

The second trend involves the capital markets. Private investors have raised billions of dollars to fund unspecified future acquisitions by selling shares of special-purpose acquisition companies (SPACs) to the public. SPACs raised $22.5 billion via initial public offerings through the first week in August. That's almost double the $12.1 billion raised in all of 2019, according to an August 14 *WSJ* article. Newbie EV companies—most with little or no profit—are tapping into this rich pool of capital by doing reverse mergers with the SPACs and then raising additional funds by selling equity to private investors (this is known as "PIPES," or private investment in public equity).

As these two megatrends combine, we're afraid the future will see a traffic jam at best and a four-lane pileup at worst once investors differentiate between companies with proven versus unproven technology and determine which barely profitable companies will or won't be more profitable in the future.

The good news is that the car industry's new players are forcing the old players to up their game and innovate as never before. Let's take a look at some of the deals coming to market:

(1) *Second time's a charm?* Fisker Inc. plans to go public later this year through a reverse merger with Spartan Energy Acquisition, a SPAC backed by Apollo Global Management. Fisker aims to release in 2022 an EV SUV with a solar roof and many parts made of recycled materials, including recycled ocean plastic. Fisker plans to provide the car's design and software and outsource the production of many parts—including batteries and motors—to other manufacturers, an August 7 *WSJ* article reported. Customers can enter a "subscription-like lease that can be terminated at any time."

This isn't CEO Henrik Fisker's first rodeo. His first EV company, Fisker Automotive, suspended operations before being acquired in 2014 by Chinese auto parts conglomerate Wanxiang Group. Spartan Energy Acquisition shares are up 33.5% ytd.

(2) *Electric trucks coming too.* Nikola and Lordstown Motors both are developing electric pickup trucks to rival Tesla's planned offering and the traditional, gas-powered pickups offered by Ford and GM.

Lordstown Motors contends that its offering, the Endurance, costs less to fuel and operate than the Ford F-150 and will be in production during H2-2021. The company has more than 27,000 pre-orders totaling $1.4 billion, and it purchased an auto assembly plant in 2019 from GM, according to its August 3 press release. Lordstown has agreed to do a reverse merger with DiamondPeak Holdings, a SPAC, that's expected to close in Q4. DiamondPeak shares are up 73.4% ytd.

Nikola plans to build electric trucks for businesses, an electric pickup truck, as well as a hydrogen filling station network. The company has orders for roughly 14,000 trucks, including Anheuser-Busch's order for 800 hydrogen-electric trucks for delivery in 2021 and Republic Services' order for 2,500 electric garbage trucks for delivery in 2023.

Nikola's reverse merger occurred in June with VectoIQ Acquisition Corp. The share price surged more than sevenfold from roughly $11 in April to peak at $79.73 in June, from which they've nearly been halved, to $41 as of Tuesday's close. That still leaves the shares up 297.3% ytd.

(3) *Electric vans coming too.* Canoo pitches itself as a van designed for urban areas. To Jackie's eye, the interior looks like a minivan where the seats are set up on the perimeter of the van, like the L-shaped couches that are popular in today's dens. Offering such a social area would be great for taxis driving groups or parents driving soccer teammates. The company aims to pitch its interesting layout to consumers in 2022 and to those making commercial deliveries in 2023. Canoo is offering a month-to-month subscription model, and it too is opting for an asset-light model, where it will count on other auto makers to build its vehicles.

Canoo announced a reverse merger with Hennessy Capital Acquisition Corp. IV on August 18 that's expected to close in Q4. In conjunction with the deal, the company will raise an additional $300 million through a PIPE offering. Hennessy shares are up only 5.2% ytd.

(4) *Chinese EV coming to US?* Net Element, an electronics payments company, agreed to a reverse merger with privately held Mullen Technologies, an EV company headed by a former music executive David Michery. The payments-processing business will be divested, and Mullen shareholders will hold 85% over the new company's stock. Net Element shares are up 121.5% ytd.

Mullen plans to assemble and sell China's Qiantu Motors' electric sports car, the Dragonfly K50, in the US in Q2-2021. Mullen is also developing an electric SUV with a solid-state battery offering more than 500 miles per charge and performance that does not degrade as with lithium ion batteries. It's scheduled to come on the market in 2023.

(5) *All things autonomous and EV are hot*. Reverse mergers are also being done by companies that make parts enabling autonomous driving and other parts for EVs. Here's a sampling: (i) Hyliion makes hybrid and fully electric powertrain solutions for Class 8 trucks. It agreed in June to do a reverse merger with Tortoise Acquisition and raise $325 million through a PIPE offering. Tortoise shares are up 390.2% ytd. (ii) Luminar, which makes LIDAR sensors and other parts used in autonomous vehicles, filed to reverse-merge with Gores Metropoulos, a SPAC. It plans to raise $170 million from private investors including Peter Thiel and Volvo Cars Tech Fund. Gores shares are up 12.8% ytd. (iii) Velodyne Lidar, which develops and manufactures Lidar technology for cars and robots, agreed in July to a reverse merger with Graf Industrial, a SPAC. After the deal's closing, expected this month, the new company will raise $150 million through a PIPE offering. Graf shares are up 120.3% ytd.

CALENDARS

US: **Thurs:** Initial & Continuous Jobless Claims 950k/14.0m, Productivity & Unit Labor Costs 7.5%/12.1%, IHS Markit C-PMI 54.7, ISM & IHS Markit NM-PMIs 57.0/54.8, Balance of Trade -$58.0b, EIA Natural Gas Inventories, Evans. **Fri:** Payroll Employment Total, Private, and Manufacturing 1.400m/1.265m/50k, Unemployment Rate 9.8%, Average Hourly Earnings 0.0%m/m/4.5%y/y, Average Workweek 34.5 hours, Baker-Hughes Rig Count. (DailyFX estimates)

Global: **Thurs:** Eurozone Retail Sales 1.5%m/m/3.5%y/y, Eurozone, Germany, and France C-PMIs 51.6/53.7/51.7, Eurozone, Germany, France, Italy, and Spain NM-PMIs 50.1/50.8/51.9/49.2/48.0, UK C-PMI & NM-PMI 60.3/60.1, Schnabel. **Fri:** Germany Factory Orders 5.0%, Canada Employment Change & Unemployment Rate 275k/10.1%, Lane. (DailyFX estimates)

STRATEGY INDICATORS

Stock Market Sentiment Indicators (*link*): The Bull/Bear Ratio (BBR) this week climbed to its highest reading since January 2018, as bullish sentiment jumped to its highest percentage since September 2018. The BBR increased for the 20th time in 23 weeks to 3.75 this week from 0.72 during the March 24 week—which was the lowest since March 2018. Bullish sentiment has increased 31.4ppts (to 61.5% from 30.1%) the past 23 weeks, while bearish sentiment has dropped 25.3ppts (16.4 from 41.7) over the same period—though has fluctuated in a flat trend just above 16.0% the past few weeks. The correction count had been in a volatile flat trend since June, fluctuating between 22.5% and 26.5% until this week when it dropped to 22.1% (lowest since September 2018). It was the fourth decline since reaching 26.0% a month ago. The AAII Ratio increased for the fourth week to 44.7% last week, after sliding the prior two weeks from 40.5% to 29.4%. Bullish sentiment rose for the fourth week to 32.1% after falling the prior two weeks from 30.8% from 20.2%, while bearish sentiment fell for the third time in four weeks, from 48.5% to 39.6%.

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): The rapid pace of COVID-19 estimate cuts has morphed into gains as analysts play catch-up from their lowball estimates prior to the better-than-expected Q2 earnings season. Consensus S&P 500 forecasts previously had been falling at rates paralleling the declines during the 2008-09 financial crisis. Forward revenues rose 0.2% w/w to its highest level since early April and is now 4.9% below its record high in mid-February. Forward earnings also rose 0.2% w/w to its highest level since early April and is now 14.3% below its record high in early March. Forward revenues growth ticked down 0.1ppt w/w to 4.1% as forward earnings growth remained steady at 9.6%. Forward revenues growth is 2.3ppts below its seven-year high of 6.3% in February 2018, but is up from 0.2% in April, which was the lowest reading since June 2009. Forward earnings growth remains 7.3ppts below its six-year high of 16.9% in February 2018 but is up 15.2ppts from its record low of -5.6% at the end of April. Analysts expect revenues to decline 4.3% y/y in 2020 compared to the 4.3% reported in 2019. That's up 0.3ppt w/w and down 9.5ppts since the start of the year. Analysts expect an earnings decline of 19.4% y/y in 2020 compared to a 1.4% rise in 2019. Their 2020 growth rate was up 0.3ppt w/w and is down 28.4ppts since the beginning of the year. The forward profit margin remained steady w/w at 10.8%. That's up 0.5ppt from 10.3% during April and May, which was the lowest level since August 2013. It's still down 1.6ppt from a record high of 12.4% in September 2018. Analysts expect the profit margin to fall 1.9ppt y/y in 2020 to 9.6%—from 11.5% in 2019—and to improve 1.7ppt y/y to 11.3% in 2021. The S&P 500's weekly forward P/E rose 0.7pt to 22.9, which was the highest level since September 2000 and up from a 77-month low of 14.0 in mid-March. The S&P 500 price-to-sales ratio gained 0.07pt w/w to a record high of 2.47. That's up from the 49-month low of 1.65 in mid-March and compares to the previous record high of 2.29 in mid-February.

S&P 500 Sectors Earnings, Revenues, Valuation & Margins (*link*): Last week saw consensus forward revenues rise w/w for eight of the 11 S&P 500 sectors and forward earnings for seven. Consumer Staples and Real Estate were the only sectors to post declines in both measures. Due to the sharp decrease in forward earnings this year, forward P/E ratios for nearly all sectors now are back above their recent record or cyclical highs prior to the bear market. Tech and Utilities are the only sectors now expected to have improved profit margins in 2020, whereas back in early March eight sectors were expected to see margins improve y/y. During 2019, just two sectors' margins improved y/y: Financials and Utilities. The forward profit margin rose to record highs during 2018 for 8/11 sectors, all but Energy, Health Care, and Real Estate. Since 2018, it has moved lower for nearly all the sectors. In the latest week, the forward profit margin fell for Financials and was unchanged for the remaining ten sectors. Here's how the sectors rank based on their current forward profit margin forecasts versus their highs during 2018: Information Technology (22.1%, down from 23.0%), Financials (14.1, down from 19.2), Utilities (14.2, record high), Real Estate (13.5, down from 17.0), Communication Services (13.6, down from 15.4), S&P 500 (10.8, down from 12.4), Health Care (10.5, down from 11.2), Materials (9.5, down from 11.6), Industrials (7.8, down from its record high of

10.5% in mid-December), Consumer Staples (7.3, down from 7.7), Consumer Discretionary (5.7, down from 8.3), and Energy (2.0, down from 8.0).

S&P 500 Sectors Forward Revenues and Earnings Recovery from COVID-19 Trough (*link*): The S&P 500's forward revenues and earnings, as well as its implied forward profit margin, bottomed at cyclical lows on May 28 after 14 weeks of COVID-19 declines. Since then, S&P 500 forward revenues has risen 3.4%, forward earnings has gained 8.8%, and the forward profit margin has risen 0.5pt to 10.8%. On a sector basis, all but Real Estate and Utilities have been rising from the lows in forward revenues, earnings, and profit margins. In the latest week, Real Estate made new lows in its forward earnings and its profit margin. Here's how the sectors rank by their forward revenues changes and forward earnings changes since May 28: Consumer Discretionary (forward revenues up 6.2%, forward earnings up 29.4%), Information Technology (4.1, 5.7), Financials (4.5, 9.4), Industrials (3.8, 10.7), Communication Services (3.7, 5.4), Materials (3.4, 11.2), S&P 500 (3.4, 8.8), Health Care (2.8, 7.4), Consumer Staples (1.8, 3.5), Energy (1.1, 249.7), Real Estate (-0.1, -5.3), and Utilities (-2.2, -0.2).

MSCI Countries & Regions Forward Revenues and Earnings Recovery from COVID-19 Trough (*link*): The forward revenues and earnings for the MSCI World ex-US index appears to have bottomed at cyclical lows on July 30 after 23 weeks of COVID-19 declines. Since then, the MSCI World ex-US forward revenues has risen 0.5%, forward earnings has gained 1.8%, and the forward profit margin has risen 0.1pt to 6.9%. On a regional basis, all but EM Latin America has risen since then. Here's how the regions rank by their forward revenues changes and forward earnings changes since July 30: EM Asia (forward revenues up 1.9%, forward earnings up 3.1%), Emerging Markets (1.2, 2.9), United States (1.2, 3.4), All Country World (0.9, 2.8), Europe (0.6, 2.3), World ex-US (0.5, 1.8), EMU (0.1, 1.8), EAFE (-0.1, 0.9), and EM Latin America (-4.2, -0.7).

US ECONOMIC INDICATORS

ADP Employment (*link*): "The August job postings demonstrate a slow recovery," said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. "Job gains are minimal, and businesses across all sizes and sectors have yet to come close to their pre-COVID-19 employment levels." August's employment increase was off the mark again, rising 428,000, compared with a 1.17 million expected gain, though there were upward revisions to both July 212,000 (vs 167,000) and June 4.485 million (vs 4.134 million) advances. While private payroll employment is up 8.5 million from its April low through August, it's still a whopping 11.2 million below February's pre-pandemic level. Service-providing industries are up 7.2 million since April, but are 10.2 million below February levels, while goods-producing are up 1.3 million and down 1.1million over the comparable periods. Here's a tally of industry performances from strongest to weakest during the four months through August, and where they stand relative to February's pre-pandemic levels: Leisure & hospitality (+3.42 million & -4.27 million), trade transportation & utilities (+1.32 million & -1.78 million), health care & social assistance (+1.01 million & -1.08 million), construction (+735,000 & -263,000), other services (+669,000 & -611,000), manufacturing (+597,000 & -734,000), administrative & support services (+489,000 & -1.08 million), education (+140,000 & -320,000), professional & technical services (+125,000 & -414,000), financial activities (+ 70,000 & -191,000), management of companies & enterprises (-24,000 & -107,000), natural resources & mining (-33,000 & -87,000), and information services (-47,000 & -308,000). Here's the same exercise by company size: large (+3.51 million & -5.81 million), small (+3.10 million & -2.30 million), and medium (+1.86 million & -3.13 million).

Auto Sales (*link*): Motor vehicle sales in August remained on their upward trajectory since hitting bottom in April—driven by domestic light truck sales. Total sales rebounded 6.4mu during the four months ending August, to 15.2mu (saar), after plummeting 8.3mu during the two months ending April to a record-low 8.7mu. Domestic light truck sales jumped to 9.2mu (saar) last month, up from April's cyclical low of 5.3mu—and within 0.8mu of its peak rate of 10.0mu at the start of the year. Meanwhile, domestic car sales remain in a rut, climbing to 2.6mu in August—only 1.1mu above April's record low of 1.5mu. Sales of imports were unchanged at 3.4mu (saar) in August after rebounding from 2.0mu (weakest since September1998) in April to 3.6mu by June. These sales are within 0.2mu of February's pre-pandemic 3.9mu rate.

Manufacturing Orders & Shipments (*link*): Factory orders rose again in July, after tumbling to its lowest level since 2009 in April, while concerns about the path of COVID-19 have slowed momentum in the recovery of core capital goods orders and shipments. Factory orders expanded for the third consecutive month, by 6.4% m/m and 21.9% during the three months ending July, to within 6.1% of February's pre-COVID-19 level; billings had plunged 23.0% from February through April. The recent rebound is being driven by a big jump in transportation equipment, which is up 189.9% during the three months through July, with July's increase an impressive 35.7%. Orders for motor vehicle equipment has more than recovered pandemic losses, jumping 61.2% during the three months ending July to a new record high. Excluding transportation, orders continued to recover, climbing 2.1% in July and 9.8% since hitting bottom in April. In the meantime, both core capital goods orders and shipments increased for the third month, though the pace slowed a bit last month. Nondefense capital goods orders ex aircraft (a proxy for future business investment) climbed 1.9% in July, less than half of June's upwardly revised 4.3% (vs 3.3%) increase, while core capital goods shipments (used in calculating GDP) advanced 2.4% in July, slowing from June's upwardly revised 3.8% (vs 3.4%). Over the past three months, core capital goods orders and shipments jumped 7.8% and 7.9%, respectively, to within a percentage point of its pre-pandemic levels. Looking ahead, ISM's August manufacturing survey was very encouraging, with manufacturing activity expanding at its best pace since November 2018. The new orders measure of the M-PMI jumped to 67.6—its best reading since January 2004—rebounding steadily from April's low of 27.1.

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