

# Weekly Market Insights

May 10, 2021

## Another record, a minor disappointment and globalism is not dead in the twenty-first century

### The Equity Market

United States equity markets set new records this past week. This happened in the face of a disappointing jobs release. Investors were looking for a significantly higher job creation report and didn't get it, but, after a bit of a struggle, markets rallied nonetheless. Recently, investors have been switching their allegiance from growth stocks to cyclicals in anticipation of a rapidly growing economy. The jobs release cast some doubt about the wisdom of that move. But we have frequently warned against taking one surprising economic statistical report and extrapolating it into the future. This report appears to be at odds with the majority of economic releases which appear to show a growing economy. When a report comes out and it appears to be an outlier, investors should wait for confirmation.

The Dow rose 2.67%, the S&P 500 was up 1.23% and the NASDAQ lost 1.51%.

### Economics

We have discussed the most obvious economic news of the past week which is the jobs report, but, of course, that wasn't the only release this past week. We were also told that the U.S. trade deficit widened. In recent years, there has been a controversy about the significance of a trade deficit. Without getting into a long discussion, at this time in the global economy, a growing deficit is to be expected and is welcomed. It is simply a case of the United States being the fastest growing economy currently, and is therefore importing both intermediary and consumer goods. As other countries' economic growth gain strength, the deficit should shrink.

### Globalization

For some time, particularly since the appearance of COVID-19, there has been an argument that the trend towards globalization is over. We doubt it. It may be that the leopard has changed its spots, but it is still a leopard. Globalization twists, turns and mutates to adjust to changes that occur. They may be political, demographic or technological. A case can be made that all three are occurring, and the move toward globalization is changing with it.

As has been argued since the mid-eighteenth century, globalization is a search for efficiency. Globalization moves in fits and starts. People are inclined to think it is over when it is just in a hiatus. They normally can see the political, demographic or technological changes, but not the reaction of the global economy to it.

Bursts of globalization tend to occur in response to global crises. The great famines of the 1840s and 1850s, World War II, and the energy crisis in the 1970s are examples. The changes were all about technology. The world is hopefully coming out of the crisis brought about by COVID-19, and, if history repeats itself, one can reasonably expect a burst of globalization. What it will look like is hard if not impossible to tell, but we can guess. Advances in technology, medicine, and health care delivery will certainly be three areas of improvement. Perhaps one reason bursts of globalization occur after crises is that crises tend to destroy any comfortable but false nostalgia that develop over time.

# Weekly Market Insights (cont'd)

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## Conclusion

It is likely that globalism will return, although we might not recognize it at the time. Almost certainly, it will be led by technological advances. Medical research and the delivery of medical care are reasonable areas that are likely to see dramatic change.

There will be, as always, disruptions. Some companies will fail to adjust, and there will be labor market frictions. These dislocations, particularly in the labor market, will test governments' abilities to make adjustments.

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