

## Fall Travel Plans on Hold Amid Fading Growth

This is an unusually sparse week for data releases, but there's no shortage of economic chatter. There's little question that the economy is weakening despite an unprecedented amount of household wealth and an abundance of stimulus dollars in play. The Atlanta Fed's GDPNow measure as of September 2nd is indicating +3.7% annualized growth in the third quarter, down from +6.1% two weeks earlier, and considerably less robust than the +6.6% second quarter pace. The widely-expected summer spending spree wasn't nearly as brisk as many had anticipated as the sudden Delta surge injected a big dose of caution ...but it was more than just a drop in consumer demand. Supply issues have lingered, and the shortfalls are worsening.

U.S. auto sales have plunged over the past several months as vehicle production plants around the world sit idle waiting for essential microchip shipments. Sales of cars and light trucks slipped to a 13.1 million unit annual pace in August after logging a 16-year high of 18.5 million just four months earlier. The Wall Street Journal (WSJ) reported yesterday that Intel plans to spend \$95 billion on new chip-making facilities in Europe, while the world's largest chip manufacturer, Taiwan Semiconductor Manufacturing Company, announced it would spend a record \$100 billion over the next three years to increase its capacity. The chip shortage will eventually turn into a glut ... *but not this year.*

Also not returning to normal this year is company travel. A recent survey by the American Hotel and Lodging Association showed two-thirds of business travelers expect to take fewer trips as a result of the Delta surge, while a majority indicate they'll only travel to places they can drive.

TSA checkpoint numbers indicate a slowdown in the August passenger count. As of September 7th, air travel was down approximately -20% from the same period in 2019. Passenger count over the next few months could be lighter still as vacation travel shifts to business. According to *Forbes*, trade shows and conventions typically generate almost 20% of fall business travel, and this year most of these are expected to do so in remote or hybrid form. Company meetings and training have historically made up another 20% according to WSJ research, but a majority of companies have realized over the past 18 months that video calls can be a more effective use of time and resources. Audit firm Deloitte predicted corporate travel would reach just 65% to 80% of 2019 spending by the end of next year.

The recent virus wave has forced many companies to rethink not only travel policies, but long-anticipated office reopening plans. The WSJ reported yesterday that the combined office occupancy rate for 10 major U.S. cities was just 33% for the week ending August 25th, with New York and San Francisco registering woeful 22% and 20% rates. Last week, Google extended its voluntary return-to-work policy to early 2022. Facebook announced back in June that all full-time employees will be permitted to work from home if their jobs can be done remotely, while Twitter told its employees last year they could continue working from home "forever." Apple

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has adopted a hybrid policy requiring in-office work at least three days a week, but according to Appleinsider.com, employees are pushing back, threatening to quit. Clearly, millions of tech employees who migrated to home offices have no intention of returning to the traditional work environment, and at the moment skilled workers hold all the cards.

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This morning, initial jobless claims fell to a new pandemic low of 310k for the week ending September 4th. Earlier this week, the Job Openings and Labor Turnover Survey (JOLTS) showed a record 10.9 million job postings in July. By contrast, the August employment report indicated 5.3 million jobs lost during the early months of the pandemic had yet to return to company payrolls. This mismatch between available jobs and jobseekers has been debated for months with the primary impediment believed to be overly-generous federal unemployment benefits. *These ended on Labor Day.* If the federal safety net was a major contributor, company payrolls should increase sharply in the coming months, which would in turn reenergize the economy in the fourth quarter.

## Market Indications as of 1:07 P.M. Central Time

DOW	Down 151 to 34,880 (HIGH: 35,625)
NASDAQ	Down 16 to 15,270 (HIGH: 15,374)
S&P 500	Down 15 to 4,499 (HIGH: 4,537)
1-Yr T-bill	current yield 0.07%; opening yield 0.06%
2-Yr T-note	current yield 0.21%; opening yield 0.22%
3-Yr T-note	current yield 0.43%; opening yield 0.44%
5-Yr T-note	current yield 0.78%; opening yield 0.81%
10-Yr T-note	current yield 1.29%; opening yield 1.33%
30-Yr T-bond	current yield 1.89%; opening yield 1.95%

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