Cornerstone Wealth Partners
336.283.2890 | www.cswealthpartners.com
Country Club Commons
4622 Country Club Road, Suite 200
Winston-Salem, North Carolina 27104

November 2021

Market Update
(all values as of 10.29.2021)

Stock Indices:

Dow Jones	35,819
S&P 500	4,605
Nasdaq	15,498

Bond Sector Yields:

2 Yr Treasury	0.48%
10 Yr Treasury	1.55%
10 Yr Municipal	1.22%
High Yield	4.26%

YTD Market Returns:

Dow Jones	17.03%
S&P 500	22.61%
Nasdaq	20.25%
MSCI-EAFE	8.75%
MSCI-Europe	12.71%
MSCI-Pacific	1.99%
MSCI-Emg Mkt	-2.05%
US Agg Bond	-1.58%
US Corp Bond	-1.02%
US Gov't Bond	-1.88%

Commodity Prices:

Gold	1,784
Silver	23.96
Oil (WTI)	83.30

Currencies:

Dollar / Euro	1.16
Dollar / Pound	1.37
Yen / Dollar	113.56
Dollar / Canadian	0.80

Macro Overview

Severe labor shortages and supply chain disruptions continue to hamper industries throughout the country, elevating inflationary pressures for millions of Americans.

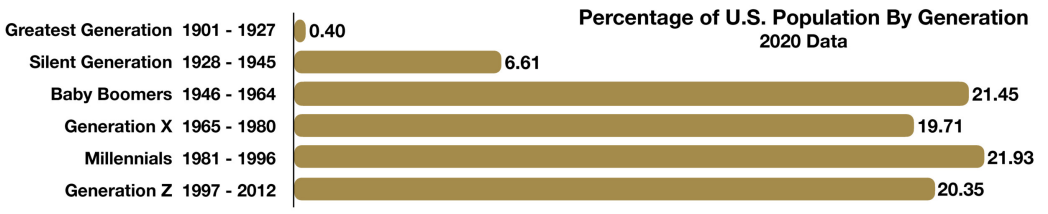
Higher prices for gasoline and natural gas are expected to raise heating costs for consumers heading into the winter months. A spike in demand for natural gas is common every winter, driving prices higher as well as intensified this season due to supply issues. Crude oil prices reached levels not seen in seven years as a gradual increase in demand and supply constraints contributed to price pressures.

Rising mortgage rates in October increased concerns about housing affordability for millions of Americans. Limited housing supply and elevated home prices have been an issue for home buyers for over a year. The onset of rising rates is expected to exacerbate the issue, putting home purchases out of reach for many Americans.

Social Security recipients will see a 5.9% increase in benefit payments starting in January 2022. The increase is the largest since 1982, adding an average of another $92 per month to an average monthly benefit of $1,657 per recipient. The Social Security Administration bases benefit adjustments on the current inflation rate, measured by the Consumer Price Index. The COLA (cost-of-living adjustment) is based on the most recent inflation rate and revised each year. As of September 2021, there were 69.9 million Americans receiving benefit payments from the Social Security Administration.

Equity markets were resilient in October as the Dow Jones Industrial Average, S&P 500, and the Nasdaq indices all reached new highs despite supply chain constraints, inflationary pressures, and rising rates.

Employment costs for wages and salaries in the private sector rose 4.6% over the past year compared to 2.4% for state and government positions. Employers are having to raise compensation and pay incentives in order to attract skilled workers for the 10 million open positions nationwide. Economists view the escalation of pay as wage inflation, affecting company margins and igniting further inflationary pressures.



Millennials are becoming a fierce force in the U.S. economy, representing nearly 22% of the U.S. population, surpassing Baby Boomers which now account for roughly 21.5% of the population. Federal Reserve data show that millennials now represent over 5.5% of wealth held by the various generations, compared to 4.4% before the pandemic. Baby Boomers now represent 54.1 of wealth, down from 51.4% prior to the pandemic. (Sources: Federal Reserve, Labor Dept., Social Security Adm.)

CORNERSTONE
WEALTH PARTNERS

GLOBAL INFLATION HAS INCREASED TO 4.6% FROM 1.8% PRE-PANDEMIC

Major Indices Reach New Highs In October – Domestic Equity Overview

Major equity indices were up in October, with the Dow Jones Industrial, S&P 500 and the Nasdaq Indices all reaching new highs. Equities were resilient to supply chain constraints, inflationary pressures, and rising rates. Earnings were mixed as various companies struggled with lack of materials and components for products, affecting sales and revenue growth estimates. (Sources: Dow Jones, S&P, Nasdaq)

Short Term Rates On The Rise – Fixed Income Update

Rates continued on a gradual assent in October, with the 10-year Treasury bond yield ending the month at 1.55%, up from 0.88% this same time last year.

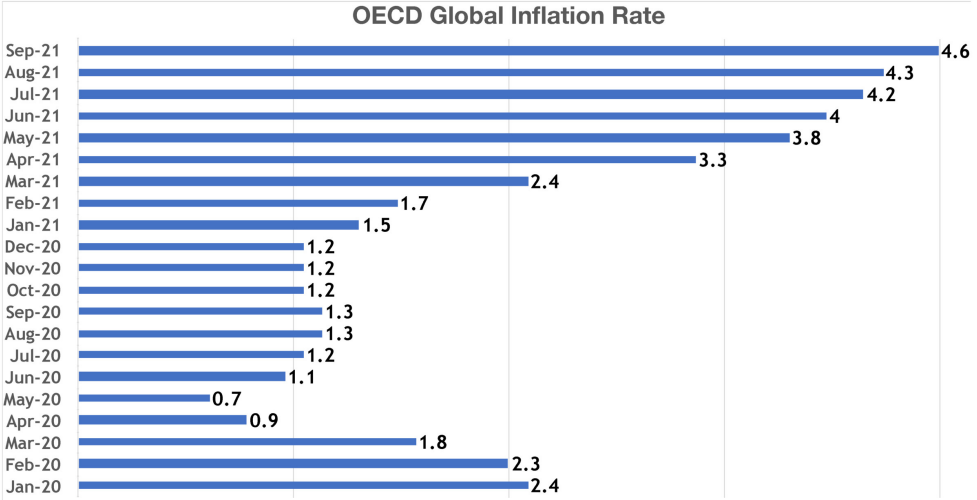
The Federal Reserve is schedule to slow its pace of buying Treasury and mortgage backed bonds in November. It is still uncertain as to how this might affect interest rates and the bond markets.

The yield on the 2-year Treasury bond rose abruptly to 0.48% at the end of October, up from 0.28% on September 30th. The rapid increase in short-term rates is an indicator to bond analysts that the Fed is readying to increase rates. Short-term rates are primarily dictated by the Federal Reserve while longer term rates are dictated by the markets. (Sources: Treasury Dept., Federal Reserve)

OECD Sees An Increase In Global Inflation – Global Economy

Pandemic driven supply issues as well as a gradual emergence of economic activity globally has led to higher prices worldwide. Energy and food prices have risen in nearly every country worldwide, unfortunately affecting lower income and impoverished countries more.

Currently, 38 developed and emerging countries make up the OECD (Organization for Economic Cooperation and Development), which monitors living standards of citizens worldwide and creates policies to facilitate better conditions.



Optimistically, emerging economies tend to endure inflation better as a younger workforce earns more as rising commodity prices benefit many emerging countries. Ideally, rising food prices can be mitigated as more crops and supply is gradually added. (Source: Organization for Economic Cooperation and Development)

CORNERSTONE
WEALTH PARTNERS

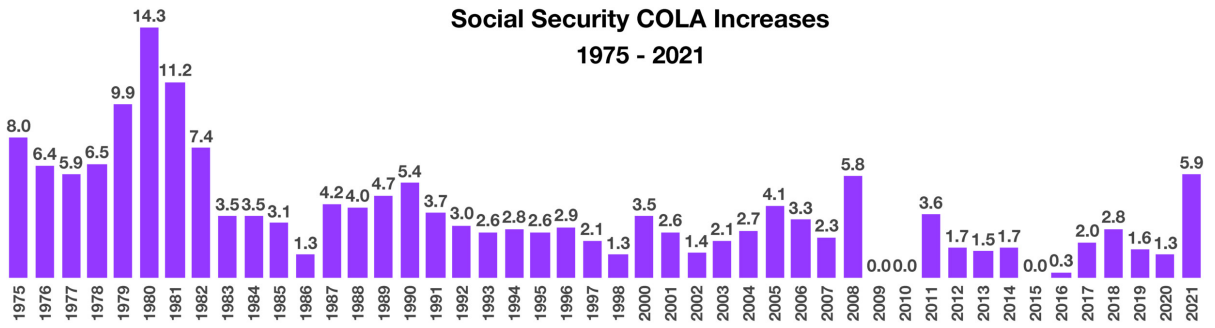
THE 5.9% INCREASE IS THE LARGEST INCREASE SINCE A 7.4% INCREASE IN 1982

Social Security Benefits Going Up in 2022 – Retirement Planning

Social Security recipients are due to receive the largest increase in benefits since 1982, but for many recipients, the increase in payments will go towards higher Medicare costs.

The Social Security Administration announced a 5.9% increase in benefit payments effective in late December 2021 for disability beneficiaries and in January 2022 for retired beneficiaries. The 5.9% increase is the largest increase since a 7.4% increase in 1982.

Many are concerned that the benefit increase may not cover expenses that are rising at a faster rate, including other essential items such as food and housing. The latest increase also affects the premiums for Medicare Part B, which covers doctor visits and outpatient care. Medicare premiums are expected to increase at the beginning of the year, minimizing net increases in Social Security payments.



The establishment of Social Security occurred on August 14, 1935, when President Roosevelt signed the Social Security Act into law. Since then, Social Security has provided millions of Americans with benefit payments. The payments are subject to automatic increases based on inflation, also known as cost-of-living adjustments or COLAs, which have been in effect since 1975. Over the years, recipients have received varying increases depending on the inflation rate. With low current inflation levels, increases in benefit payments have been subdued relative to years with higher inflation. The COLA adjustment for 2022 is a steep increase from the adjustment of only 1.3% from this past year. (Source: Social Security Administration)

Some Americans Retired Early Due To The Pandemic – Demographics

A recent research report by the Federal Reserve Bank of St. Louis found that over 3 million Americans decided to retire earlier than planned due to the pandemic.

There have been various reasons that people have been leaving the workforce during the pandemic, such as staying home to care for elders and children not able to attend school and the threat of contracting Covid-19. The level of workers retiring during the pandemic rose from relatively stable levels. The percentage of retirees in the U.S. population rose from 15.5% in 2008 to 19.3% in August 2021.

The additional retirees are deemed as "excess retirees" by the Fed, who tend to be older and more vulnerable to Covid-19. The Fed report also found that the combination of Covid-19 vulnerability along with rising asset values such as for stocks and housing, contributed to workers opting out of the workforce sooner rather than later. (Source: Federal Reserve Bank of St. Louis)

CORNERSTONE
WEALTH PARTNERS

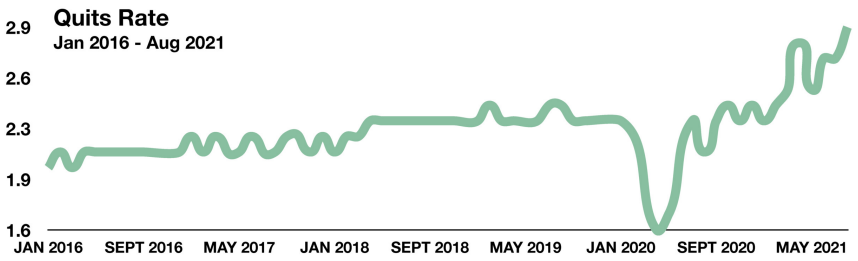
QUITS RATE ROSE TO 2.9, REACHING THE HIGHEST LEVEL EVER

More Workers Are Quitting Than Ever – Labor Market Overview

A shortage of qualified workers across the country is encouraging companies to raise wages in order to attract direly needed employees. The competition for employees is enticing workers to quit their current jobs for higher paying opportunities.

Each month the U.S. Department of Labor releases employment data that includes how many workers are actually quitting their jobs. The data is considered a critical barometer of the labor market's health and an indicator of economic growth.

The "quits rate" essentially measures how many workers quit their jobs voluntarily as opposed to being fired or laid off. Many economists and analysts follow the quits rate closely because it reveals how confident workers are. These same workers are also the consumers that the Fed monitors to determine if their confidence is allowing them to spend more, thus lifting economic growth. The most current data shows that the quits rate rose to 2.9, reaching the highest level ever.Following the financial crisis in 2008, the quits rate dropped as workers were less confident in leaving a job they had, rather than look for another job opportunity. Meanwhile, threats of layoffs and firings lingered following the 2008 crisis.



Wages also benefit when more workers quit as employers tend to raise compensation in order to retain qualified employees. Rising wages can bode extremely well for worker and consumer confidence, a key ingredient for improving economic conditions. (Source: U.S. Labor Department)

The Dollar's Supremacy – Currency Update

Even as the popularity of cryptocurrency has taken center stage as a possible replacement to traditional country currencies, some believe that the dollar's supremacy may continue as investors seek stability in the world's healthiest economy. U.S. capital markets remain the largest and most liquid of all financial markets globally, attracting international investors.

A challenge at home when the dollar rises is the dynamic of U.S. exports becoming more expensive worldwide. As the dollar increases in value versus other currencies, U.S. exported goods become less affordable in the international markets. Conversely, the strengthening dollar has also made it more affordable for imported goods, which become less expensive as the dollar elevates. In the $5.1 trillion daily foreign exchange market, the U.S. dollar accounts for about 88% of all transactions, according to the Bank for International Settlements. The dollar is also the ruling reserve currency accounting for 62.5% of the $10.4 trillion in allocated reserves, as tracked by the International Monetary Fund (IMF). (Sources: U.S. Commerce Dept., Eurostat, IMF: World Currency Composition)

Market Returns: Index data sources; MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations. Securities and investment advisory services offered through Royal Alliance Associates, Inc. (RAA) member FINRA/SIPC. RAA is separately owned and other entities and/or marketing names, products or services referenced here are independent of RAA.