



## September 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

As the Delta variant has spread, many companies, schools and government agencies have begun imposing vaccine requirements for employees and students. The World Health Organization has identified 20 Covid variants throughout the world, four of which are categorized as Variants of Concern (VOC).

Supply chain disruptions brought about by the pandemic have fostered inflationary pressures not seen since the late 1970's. Shortages of essential components and lack of qualified workers have driven prices higher in nearly every industry nationwide.

Federal officials ordered water cuts on the enormous Colorado River system, the first time ever since the Colorado River Compact was drafted in the 1920s. Water from the river serves more than 40 million residents and farmers in Arizona, California, Nevada, Colorado, New Mexico, Utah and Wyoming. Under a treaty signed with Mexico in 1944, water from the Colorado River is also siphoned to farmers in Mexicali. An extensive drought with minimal rainfall for seasons has led to dangerously low reservoir levels, devastated farms, and sparked treacherous forest fires.

Congress proposed a \$3.5 trillion spending bill, focused on health, jobs, education, agriculture, and energy. The Senate Finance Committee expects to pay for the bill with taxes on the wealthy and corporations, uncollected taxes, and other measures. Some believe that the additional increase in taxes proposed may not be enough to fund the spending bill.

The Federal Reserve announced that it doesn't intend to raise interest rates just yet, but does plan on possibly buying fewer mortgage and Treasury bonds later this year, also known as tapering. The Fed's buying of bonds in the open market has been a form of stimulus support during the pandemic which has helped keep rates low and market conditions fluid.

Delayed deliveries of imports from Asia are disturbing inventory levels and product sales throughout the U.S. The twin ports of Los Angeles and Long Beach in California reported 44 container ships anchored off the coast at the end of August, exceeding the record of 40 from earlier this year. Labor shortages and Covid safety protocols mandated among container vessels and ports have created supply bottlenecks preventing millions of imported products from getting to stores and consumers.

The U.S. Supreme Court voted to allow evictions for those not paying rent. Even though the decision affects renters and landlords nationally, various cities and states have extended eviction moratoriums and will continue to enforce a ban on evictions. It is estimated that approximately 10 million people nationwide are behind on their rent payments.

Consumer sentiment fell in August due to uncertainty surrounding the Covid variants and inflationary pressures weighing on spending decisions. The University of Michigan, which compiles and releases the Index of Consumer Sentiment each month, reported a 13.4% decrease in August from July, the largest monthly decline since 2005 following hurricane Katrina. (Sources: <https://www.who.int/en/activities/tracking-SARS-CoV-2-variants/>, Federal Reserve, WHO, Port of L.A., congress.gov, U.S. Department of the Interior)



## Global Equities Stay Steady In August – Equity Update

Global equity markets advanced in August amidst growing concerns surrounding Covid variant threats. Continued supply issues of critical components for various products weighed on earnings estimates, as many companies struggle to rebuild inventory. Higher prices for some services and products are sustaining revenues and margins for various companies.

Major equity indices all posted higher gains in August, elevating both large and small capitalized companies. International markets also fared well for the month, as developed and emerging equity indices saw increases.

Sources: Bloomberg, Reuters

## Bond Yields Starting To Feel Pressure – Fixed Income Update

The Federal Reserve announced that it anticipates alleviating bond buying possibly later this year, yet with no imminent interest rate increases for now. The Fed's pull back in bond buying is known as tapering, when stimulus support starts to unwind.

Ironically, any pull back in bond buying is expected to lead to higher rates, an indirect consequence of tapering. Yields on Treasury bonds maturing from 2 to 30 years all saw slight increases, interpreted by economists as a shift up in the yield curve, meaning that economic expansion is possible and that inflationary pressures are looming.

Sources: Fed, U.S. Treasury

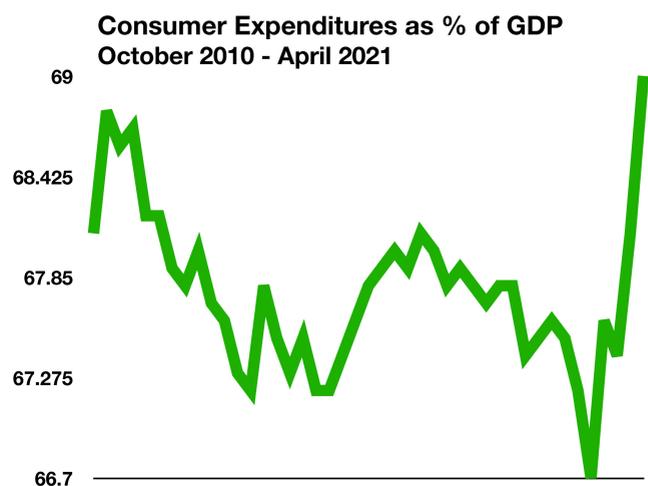
## Consumers Drive Economic Growth, Not Government – Consumer Expenditures

Each month the Department of Commerce releases its Gross Domestic Product (GDP) report. This report is the single most recognized indicator of how the economy is performing.

GDP is made up of private consumption, gross investment, government spending, and net exports. The single largest contributor of these components is consumer consumption, making nearly 70% of GDP.

Historical data provided by the Bureau of Labor Statistics shows that U.S. economic growth has steadily become more reliant on consumer expenditures. Consumer expenditures as a percentage of GDP have risen to their highest levels over the past three years since the end of World War II. The importance of how much we consume as consumers each and every day has become that much more significant.

Additional data from the Fed shows that consumers have also adjusted their spending behaviors, relying less on credit and more on government stimulus payments to spend, vastly different from the peak of easy credit seen in 2004-2006. (Sources: BLS, Fed)





### **Why Bacon Is Getting More Expensive – Food Inflation**

Various factors have contributed to bacon's higher costs over the past year, including rising feed costs, processing costs, increased demand, and newly passed animal confinement rules.

As the pandemic shuttered businesses over the past year and kept workers home, processing plants that produce meat products, such as bacon, weren't able to fulfill demand. Grains and other feed products increased in costs concurrently, adding pressure for producers to increase prices.



A California proposition passed in 2018, known as the Farm Confinement Proposition, will start to require that pig farmers maintain more breeding space for animals. Producers are already making arrangements for the additional required real estate and plan to pass along those expenses to consumers. Pig farmers in states other than California are affected since pork products won't be allowed for sale in California unless the new animal confinement rules are met.

Increasing labor costs are also a concern as meat producers that lost workers last year to the pandemic, still haven't found replacements, with some having to increase wages in order to attract new hires.

Sources: USDA, BLS, National Pork Producers Council

### **Millions Spend Nearly Half Of Income On Rent – Housing Update**

As home prices have soared over the past year and housing inventories fallen, more and more families are being forced to rent rather than own. As the demand for rentals has been increasing, the level of home ownership has been falling. Some attribute this dynamic to a low inventory of homes on the market, while others blame speculation contributing to rapidly rising home prices.

A lack of available houses along with the increased demand for rentals has propelled rental costs upward. The number of families dedicating almost half of their income to rent was approximately 10 million people in 2020, according to the annual State of the Nation's Housing Report from the Joint Center for Housing Studies.

As rental prices have been rising faster than wages, losing such a large portion of a paycheck to cover housing means cutting back on essentials such as food, clothing and health care. This can be draining on young families trying to save for a down payment on a home purchase and not knowing if they'd be able to get approved or not.

More affluent renters are staying in the rental market longer and driving up the demand for housing. Traditionally, the wealthy move on to become homeowners, but tight inventory in the housing market is keeping them in rentals longer.

The report found that most new apartment construction has focused on the higher income earners. Those earning \$75,000 and over have contributed the most to rental growth over the past few years.

Sources: Joint Center For Housing Studies



THERE WAS OVER A 35% INCREASE IN SNAP BENEFIT PAYMENTS OVER THE PAST YEAR

**SNAP Benefits Up Over 35% in Past Year – Government Subsidy Benefits Overview**

The U.S. Department of Agriculture announced that the Supplemental Nutritional Assistance Program (SNAP), also known as food stamps, will increase benefit payments by 25% starting in October. The increase is the largest ever for the 42 million recipients nationwide. The average monthly increase will amount to roughly \$36 in food benefit payments per person.

Data provided by the USDA showed that there was over a 35% increase in SNAP benefit payments over the past year, May 2020 through May 2021. The increase in SNAP benefits coincide with the rise in food prices nationwide.

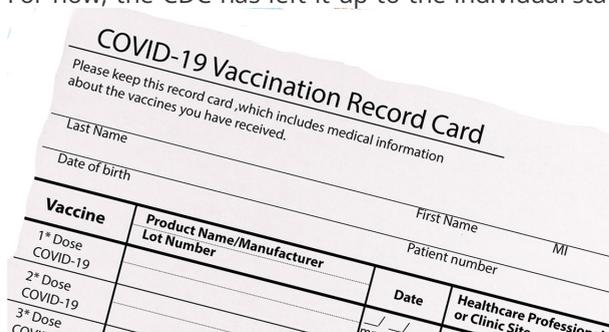
Food stamps were first introduced in 1939 as the Food Stamp Program (FSP), which issued orange and blue stamps used for approved food purchases nationwide. The Food Stamp Act of 1964 set into motion a broad and highly monitored system that is still being used, known today as SNAP.

Source: USDA

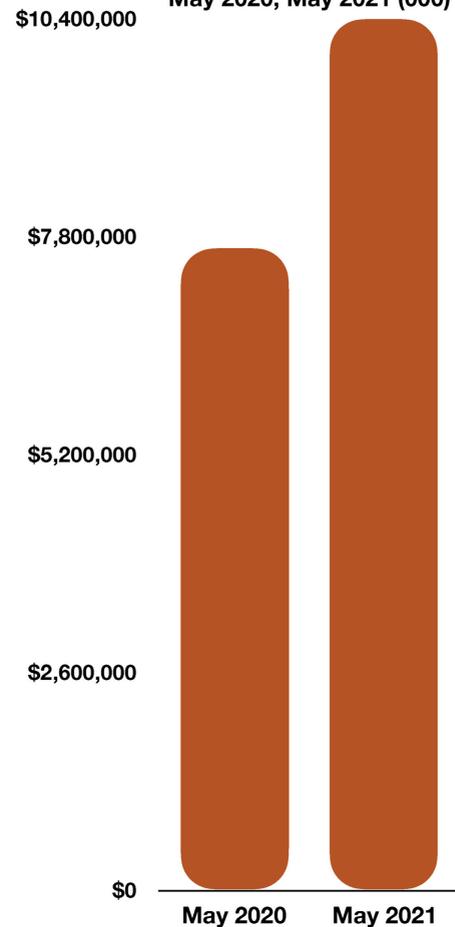
**How To Digitize Your Covid-19 Vaccination – Covid Focus Update**

As millions of Americans have now been vaccinated, the little white card showing proof of vaccination may eventually not suffice. Various schools, employers, and government entities are starting to require a digitized record of a Covid vaccination.

Some states have already introduced apps that allow immunization records to be stored and displayed on mobile devices. It is suggested to check with the state’s department of public health where you received your vaccination to verify if a digitized record is available. For now, the CDC has left it up to the individual states



**SNAP Benefit Payments**  
May 2020, May 2021 (000)



to offer digitized immunization records. Not every state offers digitized records currently. It is expected that a digitized record of vaccinations may eventually become available on a national level.

Source: Centers For Disease Control & Prevention