

# Mountain Memo Quarterly

- Our Two Cents -



## INTRODUCING THE PREMIER WEALTH ADVISORY FIRM IN THE FLATHEAD VALLEY...

We are honored and excited to announce our new brand! Same people, improving service, and still collaborating with Raymond James. Our capabilities are expanding as well so keep an eye out for future notices!



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### NEWS!

- A revamp of our website: [www.WealthMT.com](http://www.WealthMT.com)
- Your feedback of our new website is important!

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## 5 DRIVERS OF CONSUMER SPENDING FOR REST OF 2021

1. \$2 trillion in excess disposable income
2. Net worth at record highs
3. Confidence at post-COVID highs
4. Pent-up demand
5. Improving labor market

SOURCE: Raymond James—Lawrence V. Adams III, 2021, *Quarterly Coordinates Q32021*

## STOCK MARKET RISKS IN THE SPOTLIGHT

During March 2021, the widening availability of COVID-19 vaccinations, signs of improving economic conditions, and a third, \$1.9 trillion stimulus package brought about more optimistic growth projections. Even though a healthy economy could be good news for many businesses and the financial markets, rising inflation expectations caused a multi-week sell-off in U.S. government bonds that pushed up longer-term yields and sent the Nasdaq Composite Index into correction territory on March 8, 2021.<sup>1</sup>

Promising a patient approach, the Federal Reserve stated that it would not raise interest rates until the labor market fully recovers and inflation moderately exceeds the 2% target for some time.<sup>2</sup> But some investors worry that sharply higher inflation could force policymakers to boost rates sooner than originally expected.

Here's a closer look at some specific types of investment risk that could influence individual stock prices and/or cause broader market swings during the second half of 2021: inflation and interest-rate fears, legislative and regulatory impacts, and event/headline volatility.



## INFLATION AND INTEREST-RATE FEARS

Inflation and interest rates are two different but closely related investment risks. The Federal Reserve is tasked with fostering full employment and controlling inflation. One way it balances these two goals is by lowering interest rates to stimulate business activity or raising rates to help slow inflation when the economy is heating up too fast.

High inflation erodes the value of investment returns, but when interest rates rise, bond values fall (and vice versa). These risks are obvious considerations for bond owners, but they also impact stocks. When goods, services, and credit cost more, consumers have less purchasing power, which can hurt company earnings and stock prices as well.

Rising bond yields might continue to have a negative effect on stock values, because as they move up, borrowing costs for most businesses also rise, cutting into profits. Higher yields could also entice risk-averse investors to sell their stocks and buy more stable bonds instead.

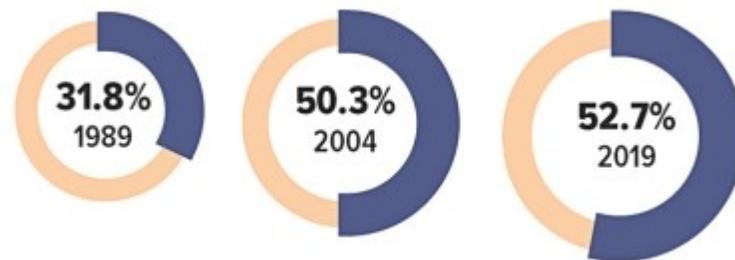


## LEGISLATIVE AND REGULATORY IMPACTS

Some government actions (such as antitrust lawsuits, higher taxes, and more stringent regulations or standards) make it more difficult and expensive for companies to do business, which can adversely affect their earnings and stock prices. On the other hand, government subsidies and tariffs on foreign products can provide competitive advantages.

The Justice Department, Federal Trade Commission, and numerous states are in the midst of antitrust lawsuits or major investigations into the business practices of several market-dominating tech companies.<sup>3</sup> In another example, the Securities and Exchange Commission is considering new standards for corporate disclosures related to environmental, social, and governance risks.<sup>4</sup>

Percentage of U.S. Households Who Own Stocks\*



\*Owned directly or indirectly through investment vehicles

Source: Investment Company Institute, 2021 (data from Federal Reserve Board Survey of Consumer Finances)

## EVENT- OR HEADLINE-DRIVEN VOLATILITY

Headline risk refers to the possibility that events reported in the media could hurt a company's reputation and/or earnings prospects. Troubling news can cause market backlash against a specific company or an entire industry. Companies try to manage this risk through public relations campaigns and other efforts to generate positive news that leaves a good impression on consumers. Events that threaten to disrupt business activity nationwide, regionally, or around the world can cause sudden stock market declines.

The market responds to news, good or bad, almost every day. For this reason, your portfolio should be designed to weather a range of market conditions and have a risk profile that reflects your ability to endure periods of market volatility, both financially and emotionally.

Source: 1. *Wall Street Journal*, March 8, 2021  
2. Federal Reserve, March 17, 2021  
3. Reuters, December 16, 2020  
4. *Wall Street Journal*, February 24, 2021

## FIVE FACTS ABOUT FATHERHOOD...

### SINCE WE COVERED MOM'S LAST TIME...

1. **61.6%** of men age 15 & older are fathers to biological, step, or adopted children.
2. **12%** of fathers hold a graduate or professional degree
3. **1%** of children under age 15 live with married parents and have a stay-at-home father
4. **6%** of fathers live with children under age 18 without a partner
5. **\$136.21** is the average consumer spending for Father's Day over the past 5 years.

#### SOURCES:

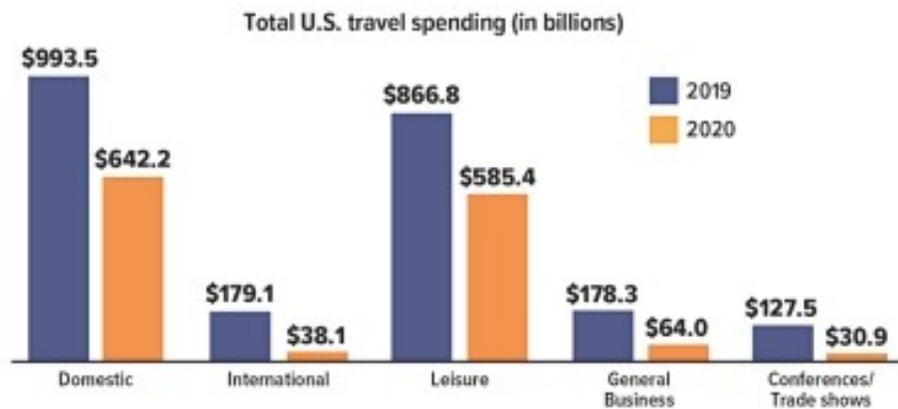
- 1/2) U.S. Census Bureau, 2019 (most recent data available);
- 3/4) U.S. Census Bureau, 2020;
- 5) National Retail Federation, 2020

## COVID-19 HAS LEFT THE U.S. TRAVEL INDUSTRY REELING

The U.S. travel industry's total economic output plummeted 42% in 2020. A full 65% of all jobs lost in the United States were those supported by the travel industry. Perhaps unsurprisingly, the hardest-hit areas were business travel, particularly spending related to conferences, conventions, and trade shows, as well as international travel.

Federal, state, and local government coffers were also strained, as travel-related taxes fell by 34%.

Total travel spending in the United States, accounting for both domestic and international travelers, is expected to rise by 23.6% in



2021.

Source: U.S. Travel Association, 2021



## HOW LONG DO WORKERS STAY WITH THEIR EMPLOYERS?

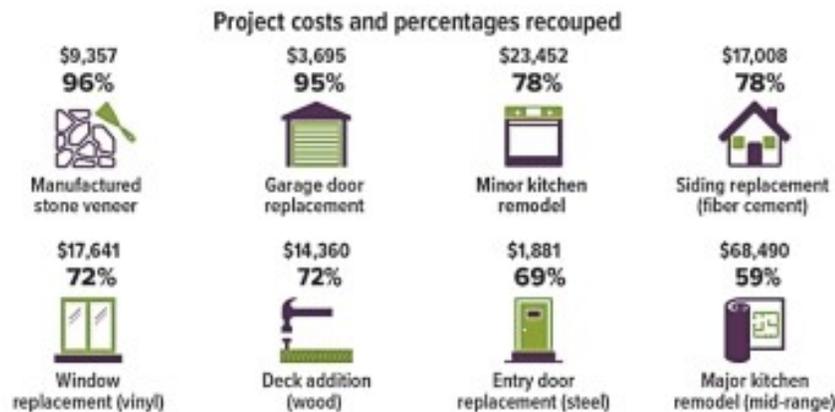
The median number of years that wage and salary workers had been with their current employer was 4.1 years in January 2020. However, employee tenure tends to vary based on many factors, including the type of occupation, and the impact of the COVID-19 pandemic on tenure remains to be seen.



Source: U.S. Bureau of Labor Statistics. 2020

## UNEXPECTED SURGE IN RENOVATION PROJECTS

Home-improvement spending normally lags during recessions, but COVID-19 sparked an unexpected surge in do-it-yourself renovation and maintenance projects. Many households whose finances held up during the pandemic devoted time and money to making their indoor and outdoor living spaces more functional and comfortable for working, learning, and recreation.



Sources: Joint Center for Housing Studies of Harvard University, 2020; 2020 Cost vs. Value Report, *Remodeling* magazine (national averages)

## WEALTHMT.COM

We are dedicated to providing investment management and strategic wealth planning to the greater Flathead Valley area and abroad. Simply put, we strive to be our client's trusted advisor and act as fiduciaries on advisory account relationships. The financial advisors in our practice focus on designing and implementing wealth, investment, and budget plans to help achieve long-term investment results.

Raymond James does this with the highest levels of trust, integrity and respect while always collaborating using a team, consultative approach.

We are dedicated to professionally supporting, educating, and providing informed direction to each and every client.

## QUARTERLY SPOTLIGHT

### *Canine Crazy-House*

Bears. Mountain lions. Coyotes. All these, and more, have been spotted on our property. With kids wanting to play outside and walk around, Tracie and I have been careful to have Kayson and Alora close enough to us or our Golden Retriever (Kala). As the years have passed, Kala has become less agile and is now 12 years old – still protective but slowing down. We could use our 17-year-old Chihuahua...but it doesn't take long for the hawks to circle the sky when he's outside (plus he is mostly blind and deaf).

That brings me to our recent adoption of 2 puppies: Hannah and Trixie. They are energetic puppies who are eager to please and will be BIG. At 5 months they are already as big as Kala at 55+ pounds! Since adoption we have been guessing their breeds: German Shepherd? Anatolian? Black-mouth Cur? We decided to confirm our guesses and used the "Embark" genetic test and found out they are German Shepherd, Akita, American Pit-Bull mix. Generally, protector/loyal breeds who are perfect for property. We expect them to be about 80-90 pounds as adults. It has been many years since housing puppies, and we forgot the patience needed. Training is a must and we have been working with a wonderful local expert. Plus, with 4 dogs in the house, there is much more noise and activity. We know Kala and Nacho are healthy, but senior, so until anything changes the Flicker residence is summarily called: The Canine Crazy-House until further notice. —Randy



Kala



Nacho



Hannah



Trixie

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