

MARKET VIEW WEEKLY

August 27th, 2021



ECONOMIC REVIEW¹

- Existing Home Sales showed a month-over-month increase of +2.0% for the month of July, beating economists' forecasts of a -0.5% decrease.
- The second reading of Gross Domestic Product (GDP) for Q2 was revised up to 6.6% annualized from the prior reading of 6.5%.
- Personal Income and Spending increased by +1.1% and +0.3% in July, respectively.
- Personal Consumption Expenditure (PCE) showed a month-over-month increase of +0.4% and a year-over-year increase of +4.2% in July.

INSIGHT: Economic data released this week came in stronger than expected in areas such as existing home sales and personal income, both of which saw increases over their prior readings and beat economists' forecasts. Existing home sales saw an increase of +2.0% despite the appreciation of home prices, which was expected to act as a headwind leading to a decrease in sales. Personal income saw a similar surprise to the upside, increasing at a rate higher than expected despite the roll back of unemployment benefits. Despite this increase in personal income, personal spending came in weaker than forecasted, as the delta variant continues to spark concerns among consumers and potentially acting as an inhibitor to consumer spending. PCE, one of the Federal Reserve's preferred measures of inflation, was in line with forecasts, with a month-over-month increase of +0.4%. However, PCE increased year-over-year by +4.2%, slightly higher than what was expected and shows a continuation of inflationary pressures.



A LOOK FORWARD¹

- Confidence Board's Consumer Confidence reading will be released on Tuesday, with economists' calling for a decrease from the prior months reading to 123.0.
- The ISM Manufacturing Index will be released on Wednesday and is projected to remain at 61.2.
- Nonfarm payrolls will be released on Friday, with economists' calling for an increase of 750,000 jobs and the unemployment rate to decrease to 5.2%.

INSIGHT: Following the surprising weakness of consumer sentiment displayed in the Michigan Consumer Sentiment reading released earlier this month, the Conference Boards' Consumer Confidence reading will provide some further insight into changes in consumer behavior following the rapid spread of the Delta Variant. U.S. manufacturing, as measured by the ISM Manufacturing survey, is expected to be unchanged from its prior reading, leaving it firmly in expansion territory. Friday will provide some key insights into the health of the economic recovery in the U.S. following the emergence of the delta variant, with the release of nonfarm payrolls and the unemployment rate.

MARKET UPDATE

Market Index Returns as of 8/27/21 ¹	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.54%	5.16%	21.20%	31.38%	18.03%	17.98%
NASDAQ	2.82%	4.42%	17.90%	31.05%	24.72%	24.96%
Dow Jones Industrial Average	0.98%	3.06%	17.26%	26.85%	13.31%	16.66%
Russell Mid-Cap	3.05%	3.55%	20.38%	41.89%	15.68%	15.49%

Russell 2000 (Small Cap)	5.06%	-1.32%	15.98%	47.06%	11.07%	14.46%
MSCI EAFE (International)	1.86%	2.22%	11.24%	26.29%	8.63%	9.44%
MSCI Emerging Markets	4.28%	-6.93%	0.00%	16.12%	8.41%	9.60%
Bloomberg Barclays US Agg Bond	-0.05%	0.92%	-0.70%	0.21%	5.42%	3.17%
Bloomberg Barclays High Yield Corp.	0.70%	0.67%	4.31%	10.05%	7.02%	6.63%
Bloomberg Barclays Global Agg	0.17%	0.86%	-2.37%	1.19%	4.54%	2.26%



OBSERVATIONS

- U.S. equities moved higher this week as indicated by the S&P 500 which was up +1.54% on the week.
- In the U.S., smaller sized companies outperformed their larger-sized counterparts, as the Russell 2000 index increased +5.06% on the week.
- International stocks as measured by the MSCI EAFE were positive on the week, up +1.86%, outperforming domestic stocks.
- Emerging market stocks were positive on the week with the MSCI EM index up +4.28%.
- U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -0.05%.



BY THE NUMBERS

BULL RACES ON - From its 3/23/20 closing price through the end of trading last Friday 8/27/21, the S&P 500 has gained +106.3% (total return) and set 72 all-time closing highs. The S&P 500 consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

CONSECUTIVE BEARS - Over the last 75 years, the shortest time period between the end of one bear market for stocks and the beginning of another bear market for stocks is 26 months. The S&P 500 fell 22% during a bear market that ended on 10/07/66. The next bear market for the stock market, an 18-month long tumble of 36% began its downward slide on 11/29/68. The latest bear market for stocks, a decline of 34% over just 33 days, ended on 3/23/20 or 17 months ago (source: BTN Research).

BRAND NEW HOMES - The median sales price of a new home sold in the USA in June 2021 was \$390,500, an all-time record high both on a nominal basis and on an inflation-adjusted basis. The old nominal record was \$374,400 in April 2021. The old inflation-adjusted record was \$345,800 in May 2017, equal to \$383,898 in today's dollars (source: Census Bureau).

IN A WEEK - An estimated 7.5 million out-of-work Americans will stop receiving federal unemployment insurance benefits a week from today (Monday 9/06/21). The group will lose the \$300 of weekly benefits that they have been receiving since late December 2020 (source: Pandemic Unemployment Assistance).

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If you would like to talk with John about the topics discussed in this article, or you would like to set up a phone or in person appointment to review your accounts or discuss any concerns about the markets, etc., with John, then please contact our office at 408-440-1020, or John.plaza@securitiesamerica.com to arrange a time that is convenient for you.

Economic Definitions

Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

Non-farm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

The Conference Board Consumer Confidence Index: The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

Personal Income: Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

Personal Spending: Consumer or Household Spending (also referred to as consumption) tracks consumer expenditures on goods and services. This concept is not adjusted for inflation.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of house sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

The Federal Reserve System: The central bank of the United States. It performs several general functions to promote the effective operation of the U.S. economy and, more generally, the public interest.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 08/20/2021