

MARKET VIEW WEEKLY

September 17th, 2021



ECONOMIC REVIEW¹

- The Consumer Price Index (CPI) came in at a month-over-month increase of +0.3% for the month of August, lower than the expectation of +0.4%. The year-over-year increase is now at +5.3%.
- Retail sales came in above expectations with an increase of +0.7% for the month of August, while the expectation was a decrease of -0.7%.
- The University of Michigan Consumer Sentiment Survey increased to 71 from 70.3 for the prior month, however this was below the expected increase to 73.

INSIGHT: Inflation readings over the last month have shown signs of moderating, however, these increases are still well above normal cycle numbers. Most of the major slowdowns came in areas which had been rising the most. For example, used car and truck prices declined -1.9% for the month of August, however this category is still up +31.9% for the year. While increasing COVID cases could have resulted in a decrease in retail sales, the opposite was shown for the month of August as consumers continued to spend. With schools continuing to open, back-to-school spending proved strong, and the consumer has once again shown an ability to adapt their spending habits in the face of COVID related pressures. The previous months reading for the University of Michigan Consumer Sentiment Survey saw a huge drop, approaching record lows; however, the month of August did not see a continuation of the downward trend. This month's increase can be positive as these surveys can be self-fulfilling as investors tailor their consumption and spending based off the sentiment of the broader economy.



A LOOK FORWARD¹

- Housing starts will be announced on Tuesday, with the expectation of an increase to 1.55 million, up from the prior month's estimate of 1.534 million.
- Existing home sales for the month of August will be released on Wednesday, and the estimate is 5.87 million sales.
- Manufacturing Purchases Manager Index (PMI) will be announced on Thursday, and the expectation is a decrease to 60.5 from 61.1.

INSIGHT: Over the recent year, the housing market has seen an explosion in both demand and property values. With interest rates at record lows, first time buyers proved eager to move out of apartments and lock in low mortgage rates. However, first time buyers are being pushed out by larger more experienced buyers who can afford to pay the premiums most homes are selling for. According to FRED data for Q2 2021, the median sale price of homes was \$374,900¹, the highest it has ever been. The Fed is expected to make an announcement on tapering its asset purchases in their September meeting, which includes \$40 billion in mortgage-backed securities. If the Fed continues to stand pat on its purchasing programs, the housing market may still experience rising prices, however the demand for mortgage-backed securities may shrink.

¹ [Median Sales Price of Houses Sold for the United States \(MSPUS\) | FRED | St. Louis Fed \(stlouisfed.org\)](#)

MARKET UPDATE

Market Index Returns as of 9/17/21 ¹	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.54%	3.48%	19.26%	34.04%	17.45%	17.89%
NASDAQ	-0.46%	3.87%	17.28%	38.83%	25.11%	24.69%
Dow Jones Industrial Average	-0.05%	0.70%	14.58%	26.32%	12.36%	16.42%
Russell Mid-Cap	-0.36%	1.54%	18.03%	40.70%	15.07%	15.47%
Russell 2000 (Small Cap)	0.45%	-3.00%	14.01%	46.48%	10.94%	14.29%
MSCI EAFE (International)	-1.38%	2.31%	11.34%	25.68%	9.24%	9.94%
MSCI Emerging Markets	-2.20%	-6.31%	0.67%	17.89%	10.44%	10.11%
Bloomberg Barclays US Agg Bond	-0.03%	0.85%	-0.77%	-0.32%	5.61%	3.23%
Bloomberg Barclays High Yield Corp.	0.14%	1.34%	5.01%	10.82%	7.14%	6.87%
Bloomberg Barclays Global Agg	-0.52%	0.41%	-2.81%	-0.13%	4.49%	2.48%



OBSERVATIONS

- U.S. equities moved lower this week as indicated by the S&P 500 which was down -0.54% on the week.
- In the U.S., smaller sized companies outperformed their larger-sized counterparts, as the Russell 2000 index increased by 0.45% on the week.
- International stocks as measured by the MSCI EAFE were negative on the week, down -1.38%, underperforming domestic stocks.
- Emerging market stocks were negative on the week with the MSCI EM down -2.20%.
- U.S. investment grade bonds were slightly negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -0.03%.



BY THE NUMBERS

WE ARE WAY BEHIND - The US may have the 3rd largest population of any country in the world, but # 1 China and # 2 India each have more than 4 times the number of people the US has (source: Census.gov).

RECORD DEFICIT - The largest budget deficit in US history was the \$3.13 trillion deficit from fiscal year 2020, i.e., the 12 months ending 9/30/20 (source: Treasury Department).

BUYERS ARE LOOKING FOR A PERFECT HOME - Real estate investors were involved in 17% of the home purchases (1 out of every 6 sales) during the 2nd quarter of 2021. The investors have taken advantage of historically low interest rates to finance upgrades on their purchases, and then realize a profit by reselling to a pandemic-weary buyer who is looking for specific features in his/her new home (source: Redfin).

PRICES - Inflation, as measured by the Consumer Price Index, was up +5.3% over the 1-year ending 8/31/21. The last year when inflation was up at least +5% was 1990 or 31 years ago (source: Department of Labor)

Economic Definitions

Job Openings – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

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.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e., prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

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)

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.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss. In general, the bond market is volatile; bond prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities. Any fixed-income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Vehicles that invest in lower-rated debt securities (commonly referred to as junk bonds or high-yield bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. International investing involves special risks not present with U.S. investments due to factors such as increased volatility, currency fluctuation, and differences in auditing and other financial standards. These risks can be accentuated in emerging markets.

The statements provided herein are based solely on the opinions of the Advisor Group Research Team and are being provided for general information purposes only. Neither the information nor any opinion expressed constitutes an offer or a solicitation to buy or sell any securities or other financial instruments. Any opinions provided herein should not be relied upon for investment decisions and may differ from those of other departments or divisions of Advisor Group or its affiliates.

Certain information may be based on information received from sources the Advisor Group Research Team considers reliable; however, the accuracy and completeness of such information cannot be guaranteed. Certain statements contained herein may constitute "projections," "forecasts" and other "forward-looking statements" which do not reflect actual results and are based primarily upon applying retroactively a hypothetical set of assumptions to certain historical financial information. Any opinions, projections, forecasts and forward-looking statements presented herein reflect the judgment of the Advisor Group Research Team only as of the date of this document and are subject to change without notice. Advisor Group has no obligation to provide updates or changes to these opinions, projections, forecasts and forward-looking statements. Advisor Group is not soliciting or recommending any action based on any information in this document.

Securities and investment advisory services are offered through the firms: FSC Securities Corporation, Royal Alliance Associates, Inc., SagePoint Financial, Inc., Triad Advisors, LLC, and Woodbury Financial Services, Inc., broker-dealers, registered investment advisers, and members of FINRA and SIPC. Securities are offered through Securities America, Inc., a broker-dealer and member of FINRA and SIPC. Advisory services are offered through Arbor Point Advisors, LLC, Ladenburg Thalmann Asset Management, Inc., Securities America Advisors, Inc., and Triad Hybrid Solutions, LLC, registered investment advisers. Advisory programs offered by FSC Securities Corporation, Royal Alliance Associates, Inc., SagePoint Financial, Inc., and Woodbury Financial Services, Inc., are sponsored by VISION2020 Wealth Management Corp., an affiliated registered investment adviser. Advisor Group, Inc. is an affiliate of these firms. [3758066#]

¹ Data obtained from Bloomberg as of 09/10/2021



3820 Sheridan Drive | Amherst, NY 14226 | (716) 839-1234
1840 Winton Road South | Rochester, NY 14618 | (585) 244-9630
1708 Vestal Parkway East | Vestal, NY 13850 | (607) 748-1803

Securities offered through Securities America Inc., Member FINRA/SIPC and advisory services offered through Securities America Advisors Inc. L&M Wealth Management and Securities America Companies are not related.