VITUCCI INTEGRATED PLANNING

INVESTMENT MARKET COMMENTARY

Mid-Quarter Investment Market Commentary – 3rd Quarter 2021

September 2, 2021

Despite the Delta variant of COVID-19, supply chain bottlenecks, a spike in input prices, and a meaningful employer/employee mismatch (there are more job openings than there are job seekers), the US economy continues to power ahead. Last week, the Bureau of Economic Analysis announced a revision of their estimate of second quarter real GDP growth from 6.5% to 6.6%. What is remarkable about the rate of GDP growth is that it's taking place despite the staffing challenges confronting so many companies. Remember, GDP is essentially the coming together of people (the size of the labor force) and how much stuff they can make (productivity). In a perfect economic world, you have more people producing more goods and delivering more services that satisfy end-market demand.

Productivity gains have been key to the dramatic rebound of the US economy—as worker productivity grew 4.3% in the first quarter and 2.3% in the second quarter (those figures compare with average annual productivity growth of 1.2% from 2010 to 2019). Those same productivity gains can also be key to the sustainability of the recovery as they would enable companies to keep producing more even in the face of labor shortages and, importantly, pay employees more which should also support consumer spending. All this while maintaining or even increasing corporate profitability; which is key for both investment markets and corporate investment.

On that front, corporate profits hit a record $2.7 trillion in the second quarter even as average hourly earnings are up about 4% year-on-year. In sports, commentators and athletes often talk about winning curing all sorts of problems; well, in economics, productivity growth does the same.

Many economic indicators look promising, and central bank policy is likely to remain supportive. Fed securities purchases are likely to taper, but most economists believe interest rates will remain low through at least next calendar year. It should be noted that if inflation stays persistent, we may also see interest rates move higher sooner. Policy in Washington is also supportive with an additional spending package expected later in the year—however it's important to note this will likely require tax increases as an offset.

And those potential tax increases provide a segue to our client action items. While the COVID-19 pandemic is far from over, the calming of the crisis-phase in recent months can begin to be felt. Our Post-Pandemic Initiative is a conversation list that re-visits your financial plan with a view of the lessons of the pandemic that attempts to reframe possible blindspots. It includes:

- **Reduce/Reframe Risk & Returns –** Are you comfortable with account value fluctuation?
- **Shore-Up Baseline Retirement Income –** How do your income “paychecks” line up with your necessary expenses?
- **Be Patient with Cash –** Low interest rates mean low returns on cash-based investments. How do you balance cash needs, investments, and record home equity?
- **Re-Visit Tax Efficiency –** Record government debt and needed pandemic stimulus will necessitate higher taxes. How should your plan adjust for what’s coming?
- **Monitor Your Electronic Financial Footprint –** Online crime and scams have soared during the pandemic. How are you monitoring your digital financial footprint?
- **Review Your Estate Documents –** Changes to the tax code likely mean changes to estate law. Are your documents up to date? Do you have a power of attorney should something happen where you cannot care for yourself?

Expect to hear more from our office as we rollout this initiative during the remainder of the year and into 2022. We will have educational opportunities around these topics and frame our client review conversations around these and other items.

Thank you as always for your continued partnership. Please contact me directly should you have any concerns, and I look forward to seeing you soon.

Warm Regards,

Jason

Market Movement

Asset Class Performance Year to Date through August 27, 2021

Dow Jones Industrial Avr. (US Large Cap)	+15.8%
MSCI EAFE (Developed International)	+11.2%
MSCI Emerging Markets	+0.0%
Barclays Agg Bond (US Corporate Bonds)	-0.7%
Crude Oil	+41.6%
Gold	-3.9%

The Social Distancing Recovery Dashboard is published by Cetera Investment Management weekly. It illustrates measurements of various economic data as the economy begins to re-open & recover.

Social Distancing Recovery Dashboard

High Frequency Metric	Pre-Shutdown (March 7, 2020)	Jul 10	Jul 17	Jul 24	Jul 31	Aug 7	Aug 14	Aug 21	Aug 28	1-Week Change	4-Week Change
Daily COVID-19 Vaccinations (Millions)	N/A	0.51	0.52	0.54	0.66	0.71	0.73	0.85	0.89	↑	↑
Apple Mobility Tracker: Driving (Level)	118.8	159.7	164.6	165.1	162.4	159.0	159.0	158.7	158.1	↓	↓
Apple Mobility Tracker: Public Transit (Level)	101.1	99.0	100.3	101.8	100.3	99.8	101.2	105.2	108.9	↑	↑
Apple Mobility Tracker: Walking (Level)	116.0	174.8	176.6	179.0	175.5	173.4	173.1	187.4	200.2	↑	↑
Google Mobility Tracker: Retail and Recreation (vs. Baseline)	7.9	-3.4	-3.6	-1.9	-2.9	-2.1	-3.6	-3.9	-4.1	↓	↓
Google Mobility Tracker: Workplaces (vs. Baseline)	2.4	-34.0	-33.1	-32.3	-32.1	-32.3	-32.1	-32.4	-32.1	↑	→
Seated Restaurant Diners vs. 2019 Level	-4.7%	-15.3%	-5.7%	-5.6%	-5.5%	-8.9%	-11.0%	-9.5%	-8.7%	↑	↓
Weekly Mortgage Application Index (Level)	280.7	252.4	273.3	255.8	251.9	247.5	252.0	249.9	257.5	↑	↑
Weekly Unemployment Claims (Thousands)	211.0	386.0	368.0	424.0	399.0	387.0	377.0	349.0	353.0	↓	↑
Consumer Comfort Index (Level)	62.7	53.3	52.2	51.5	53.2	53.3	54.6	56.5	57.2	↑	↑
U.S. Oil Rig Count	793	479	484	491	488	491	500	503	508	↑	↑
Airport Travelers vs. 2019 Level	-10.3%	-24.1%	-20.9%	-21.1%	-20.5%	-21.4%	-21.5%	-22.8%	-26.1%	↓	↓
High Yield Bond Spread (End of Week)	5.64%	3.07%	3.18%	3.22%	3.26%	3.32%	3.36%	3.37%	3.17%	↑	↑

Sources and Notes: Cetera Investment Management, FactSet, Centers for Disease Control and Prevention (COVID-19 Vaccinations), Apple (Driving, Public Transit, and Walking Mobility), Google (Retail and Workplace Mobility), OpenTable (Seated Restaurant Diners), Mortgage Bankers Association (Weekly Mortgage Application Purchase Index), U.S. Employment and Training Administration (Weekly Unemployment Claims), Bloomberg (Consumer Comfort Index), Baker Hughes (U.S. Oil Rig Count), Transportation Security Administration (Airport Checkpoint Passenger Traffic), Bank of America Merrill Lynch (High Yield Bond OAS Spread). The 7-day average is used for metrics that are daily (COVID-19 Vaccinations, Mobility trackers, Seated Restaurant Diners, and Airport Travelers). Data is pushed forward 1-week for the following metrics because there is a 1-week data release lag: Mortgage Application Index, Unemployment Claims, and Consumer Comfort Index. The Google Mobility trackers compare current levels versus the pre-pandemic baseline. For the 1-week and 4-week change, an up arrow indicates the metric is improving and a down arrow indicates the metric is weakening.

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