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| **RESOURCE LOG – AUGUST 2021** | | | | |
| **Article Title** | **Detail** | **Publication** | **Date** | **Author** |
| U.S. Economy Grew Beyond Its 2019 Level | The U.S. economy grew rapidly in the second quarter and exceeded its pre-pandemic size, but the outlook has suddenly turned cloudier due to the fast-spreading Delta coronavirus variant.  Gross domestic product, the broadest measure of U.S. goods and services produced, grew at a 6.5% annual rate in the second quarter… | The Wall Street Journal | 07/30/2021 | Sarah Chaney Cambon |
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| Investors Wage That Inflation Won’t Last | Investors are betting the inflationary streak that has sent prices of everything from used cars to lumber soaring will fade in the coming years, a reassuring sign for markets struggling to find direction.  Labor shortages and supply-chain disruptions snarling the global shipping industry have added to inflationary pressures.  Take the break-even rate. Calculated by measuring the difference in yields between Treasurys and their inflation-protected counterparts, or TIPS, the break-even rate shows how much inflation traders anticipate over a period. Since peaking for the year in May, the break-even rates for five-, seven- and 10-year Treasurys have all fallen – suggesting traders are pricing in a moderation in inflation in coming years.  Put in other words: Traders know inflation is hot now; but they are betting that price pressures will ease up significantly, not just in the next few years but over the next decade.  CPI inflation swaps – derivatives used by traders to make precise inflation bets – indicate investors are looking for just one or two more months of eye-popping inflation, with the nonseasonally adjusted CPI index expected to rise 0.6% in July – a month in which, on average, it didn’t rise at all in the 2010-2019 period. After August, monthly inflation is expected to be only a little above average, though year-over-year readings could still exceed 5% before dropping sharply next year.  Long-term inflation expectations have been also closely linked with the outlook for Federal Reserve policy, typically rising whenever it seems the Fed will take a longer time to tighten monetary policy by tapering bond purchases and raising interest rates. | The Wall Street Journal | 08/02/2021 | Akane Otani and Sam Goldfarb |
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| Fed Aims for a Tantrum-Free Taper | The Fed’s next test will come when it outlines a concrete plan for when and how it will scale back, or taper, the asset purchases.  The central bank has been buying $120 billion a month of Treasury and mortgage securities since June 2020, a pace officials say will continue until the economic recovery advances further. By bidding up the price of long-term bonds, the purchases tend to hold down borrowing costs for businesses and consumers, because bond prices and yields move in opposite directions.  Some investors worry that yields will jump significantly higher when the Fed stops buying bonds. The Fed’s indication in 2013 that it would eventually wind down an earlier bond-buying program sparked such an episode dubbed the taper tantrum.  Yields on 10-year Treasury notes rose to 2.98% in early September 2013 from 1.70% in late April of that year.  The timeline of such an adjustment could move the bond market if it differs significantly from investors’ expectations. | The Wall Street Journal | 08/02/2021 | Paul Kiernan |
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| Pandemic Takes Toll On Asia’s Economic Recovery  *Protective restrictions, slow vaccination pace hinder manufacturing as Chinese exports lag* | Asia is emerging as a weak link in an otherwise strong global economic recovery, as new pandemic restrictions restrain manufacturing in some countries and the exports that have powered the recovery in China show signs of slowing.  Asia is hitting pandemic highs driven by the Delta variant of the coronavirus.  Countries in Southeast Asia have been among the hardest hit…  As factory production contracts across Southeast Asia, Indonesia and Malaysia, which have recently faced surging caseloads and covid-19 deaths, have been among the worst affected, according to HIS Markit.  Foreign demand has propelled export economies such as China and South Korea during the pandemic, with factories churning out consumer goods. But that engine is showing signs of slowing.  In the West, higher vaccination levels are allowing economic activity to return to normal levels.  Factories in Europe reported near-record levels of output growth in July.  In the U.S., some of the supply constraints that have plagued manufacturers for the past four or five months appear to be easing slightly… | The Wall Street Journal | 08/03/2021 | Stella Yifan Xie and Jon Emont |
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| Slow Outlook for Europe Pushes Down Bond Yields | Government bonds in the eurozone have rallied in recent weeks as investors bet on a growing divergence in economic fortunes between slow-growing Europe and the rest of the world – especially the U.S.  The yield on the benchmark 10-year German bund slipped as low as minus 0.488% Monday, its lowest level in six months.  The move partly mirrors the action in the U.S. bond market, where the yield on benchmark 10-year Treasury note has retreated from a peak of 1.749% at the end of March. It settled Monday at 1.173%, its lowest close since February.  The ECB on July 22 signaled that it is likely to keep its key interest rate, currently set at minus 0.5%, low for longer.  The eurozone economy isn’t expected to recover to pre-pandemic levels until next year, unlike the U.S., where it is already bigger than it was before the pandemic recession. | The Wall Street Journal | 08/03/2021 | Anna Hirtenstein |
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| Gas Prices Jump on Exports, Heat And Lower Levels of Production | The power-generation fuel has been in high demand to run air conditioners and make up for parched hydropower markets, and forecasters expect booming exports and more steamy weather to keep supplies down and prices up.  Natural-gas futures have gained 37% since April and are more than twice the price a year ago, settling Tuesday at $4,027 per million British thermal units.  The highest summer gas prices since 2014 have yet to entice producers to send many more drilling rigs into their fields, though.  JPMorgan Chase & Co. analysts wrote in a note to clients, “The U.S. natural-gas market has found itself in an uncomfortable situation of potentially entering the winter withdrawal season with the lowest level in storage since 2018.”  They predict the average price during the fourth quarter will be $3.80, up from their earlier estimate of $3.10.  Lower production is a big reason why Goldman’s analysts said they expect more expensive gas.  Analysts say that U.S. prices would need to rise above $7 before shipping shale gas across the Atlantic Ocean became unprofitable. And that math requires European prices to stay flat while they surge in the U.S. Analysts say that is improbable considering how low inventories are around the world. | The Wall Street Journal | 08/04/2021 | Ryan Dezember |
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| What’s News | ♦ Auto makers including GM, Ford and Jeep maker Steelantis will aim to make electric vehicles account for 40% to 50% of their U.S. sales by 2030. | The Wall Street Journal | 08/5/2021 |  |
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| What’s News | ♦ The Federal Reserve’s Clarida said that the central bank could consider lifting interest rates from near zero by early 2023. | The Wall Street Journal | 08/5/2021 |  |
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| GM Warns On Impact Of Chip Crisis | General Motoes Co. posted strong second-quarter earnings and raised its full-year profit guidance but said the lingering computer-chip shortage and rising commodity costs would weigh on second-half results.  GM’s outlook for second-half profits disappointed investors. Shares fell about 9% Wednesday…  The negative reaction is a sign that car companies, after a run of heady profits, could have trouble managing investor expectations, with the continuing chip shortage and pandemic still clouding the outlook. | The Wall Street Journal | 008/05/2021 | Mike Colias |
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| Spending Program Widens Deficit, CBO Says  *Analysis of proposed infrastructure plan differs from arithmetic of bipartisan framers* | Congress’s nonpartisan scorekeeper found that the roughly $1 trillion infrastructure bill would widen the budget deficit ty $256 billion over 10 years, countering negotiators’ claims that the cost of the legislation was covered by new revenues and savings measures. | The Wall Street Journal | 08/06/2021 | Andrew Duehren |
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| Job Gain Is Best in Nearly a Year |  | The Wall Street Journal | 08/07-08/2021 | Eric Morath |
|  | A strengthening U.S. labor market added cushion to the economic recovery in July ahead of the surge in cases of the coronavirus’s Delta variant, with employers creating jobs at the best pace in nearly a year and the unemployment rate falling sharply.  Friday’s report shows that the U.S. economy is facing any threat posed by the Delta variant with a strong tailwind. |  |  |  |
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| Calls for Fed Caution May Grow Louder  *Some in Washington think it’s time to tighten. The latest jobs report gives them added evidence.* | The U.S. added 943,000 jobs in July, about 100,000 more than economists surveyed by The Wall Street Journal had been expecting, and the unemployment rate fell to 5.4% compared with a consensus estimate of 5.7%. The prior two months saw upward revisions, adding nearly 120,000 more jobs in total.  Labor shortages are helping to push up prices of many goods and services.  Normally Congress, consumers and of course the investor class are uniformly in favor of looser policy. With Americans facing sticker shock at the mall and having difficulty buying a home, a schism might develop…  Though the Fed doesn’t have to act, the pressure alone could spark a rise in bond yields, weighing on record stock prices. | The Wall Street Journal | 08/07-08/2021 | Spencer Jakab |
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| Housing Is Key to Inflation Direction | The biggest wild card to U.S. inflation over the next year doesn’t come from used cars or airline fares. Instead, it is housing.  Officials at the Federal Reserve and the While House have highlighted what many forecasters expect will be the temporary nature of elevated price readings stemming from the reopening of the economy following pandemic-related restrictions.  But the degree to which 12-month inflation readings fall back to the central bank’s 2% goal could rest on the behavior of rents and home prices.  Core inflation, which excludes volatile food and energy costs, rose 3.5% in June from a year earlier…  That was the highest rate of growth in 30 years. Rising prices over the April-to-June quarter largely reflected disrupted supply chains, temporary shortages and a rebound in travel…  In a June report, economists at Fannie Mae said they expected the rate of shelter inflation to pick up from around 2% in May to 4.5% over the coming years – and higher still, if house-price growth doesn’t cool off soon.  Fed officials have held interest rates near zero since March 2020, at the beginning of the pandemic, and they are purchasing $120 billion per month in Treasury and mortgage-backed securities to provide additional stimulus. Just how fast and how far inflation falls back toward the Fed’s target one year from now could weigh heavily on how long to leave interest rates at zero.  Growth in rents slowed sharply during the pandemic…  A majority of economists surveyed by The Wall Street Journal in July projected inflation would decline to at least 2.2% by the end of 2022. | The Wall Street Journal | 08/09/2021 | Nick Timiraos |
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| Solid Profits Ignite Stocks  *Companies beating analysts’ expectations are on track for best showing ever* | “The earnings coming out have definitely helped alleviate concerns of investors that maybe earnings are not going to keep up with the pace of the stock market,” said Gene Goldman, chief investment officer at Cetera Financial. “They’ve kept up pace.”  Rising share prices have kept stock valuations elevated. The S&P 500 traded Thursday at more than 21 times its projected earnings over the next 12 months, above a five-year average of 18.5. | The Wall Street Journal | 08/09/2021 | Karen Langley |
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| A Week in the Life of the DJIA | A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA gained 273.04 points, or 0.78%, on the week. A $1 change in the price of any DJIA stock = 6.58-point change in the average. To date, a $1,000 investment on Dec. 31 in each current DJIA stock component would have returned $34,524, or a gain of 15.08% on the $30,000 investment, including reinvested dividends. | The Wall Street Journal | 08/09/2021 | Source: Dow Jones Market Data; FactSet |
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| What’s News | ♦ Rising Seas, melting ice caps and other effects of a warming climate might be irreversible for centuries and are unequivocally driven by greenhouse-gas emissions from human activity, a scientific panel working under the auspices of the U.N. said in a new report. | The Wall Street Journal | 08/10/2021 |  |
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| Oil Nears a 2 ½-Month Low On Worry About Virus Surge | U.S. crude fell by as much as 4.6% and ended the day down 2.6% at $66.48 a barrel, near its lowest price since late May and 12% below a recent multiyear high.  Investors are particularly concerned about tumbling demand in China, where Beijing health authorities said last week that the city would cancel all large-scale exhibitions…  Traders are also weighing a wave of delays in return-to-office plans for U.S.-based companies… | The Wall Street Journal | 08/10/2021 | David Hodari and Amrith Ramkumar |
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| Treasurys’ Big Rally Gets Help From Skeptics of Low Rates | In recent months, many investors and analysts have argued that factors such as a strengthening economy and elevated U.S. bond issuance pointed inevitably to higher bond yields ahead. But as it often does, the market has surprised them…  Long-term Treasury yields, which help determine interest rates on everything from mortgages to corporate debt, are considered an important economic barometer because they tend to rise and fall with the economic outlook.  Yields, which rise when bond prices fall, got a boost Friday when the Labor Department reported that nonfarm payrolls roe by a seasonally adjusted 943,000 in July. That figure was well above expectations…  The yield on the benchmark 10-year U.S. Treasury note settled at 1.316% on Monday…  Not everybody is convinced that Treasury yields are bound to move higher. For some, yields seemed more disconnected from reality at the start of spring, lifted by optimistic economic projections and the same kind of momentum trades that helped drive yields lower in subsequent months.  The debate is still largely about the economy.  Donald Ellenberger, a senior portfolio manager at Federated Hermes, said he had increased his short position at the end of last month, seeing the low level of yields as all the more reason to think they would move up.  “There is always risk, since trying to predict the direction of interest rates over the short term is very difficult,” he said. “But we have conviction that the 40-year bull market for bonds is over, inflation risks will prove more than transitory, and rates will be higher by the end of the year.” | The Wall Street Journal | 08/10/2021 | Sam Goldfarb |
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| Dow, S&P Rise to Record Closes | The S&P 500 and Dow Jones Industrial Average closed at record highs after the Senate passed an infrastructure package and oil prices mostly recovered from Monday’s slump.  Shares of energy, materials and industrial companies helped boost the U.S. stock gauges, with gains by Caterpillar, Chevron and Honeywell International contributing to the Dow’s advance.  The S&P 500 added 4.40 points, or 0.1%, to 4436.75, eking out a 45th record close of 2021. The Dow Jones Industrial Average gained 162.82 points, or 0.5%, to 35264.67, its 31st closing high of the year. The tech-heavy Nasdaq Composite dropped 72.09 points, or 0.5%, to 14788.09, dragged down by losses in big tech stocks.  The S&P 500 has nearly doubled from its low in March 2020…  Energy stocks led the S&P 500’s sectors, rising 1.7%. Oil has slumped Monday on fears that the spreading Delta variant would weigh on demand…  The materials and industrial sectors also outperformed the market following the Senate’s passage of a roughly $1 trillion infrastructure package… | The Wall Street Journal | 08/11/2021 | Karen Langley and Will Horner |
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| What’s News | ♦ The White House urged OPEC to boost oil output, saying recent planned increases are insufficient as countries world-wide seek to emerge from the pandemic. | The Wall Street Journal | 08/12/2021 |  |
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| What’s News | ♦ The Dow and S&P 500 rose 0.6% and 0.2%, respectively, to close at records. The Nasdaq fell 0.2%. | The Wall Street Journal | 08/12/2021 |  |
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| Inflation Stays Hot But Price Pressures Ease a Bit  *Consumer index rises 5.4% from a year ago as monthly pace cools amid virus concerns* | Inflation remained elevated in July…  On a monthly basis, however, price pressures weakened. The department’s consumer-price index climbed a seasonally adjusted 0.5% in July from June, a significantly slower pace that its 0.9% increase in June from May, though well above the average 0.2% rate from 2000 to 2019.  The so-called core price index, which excludes food and energy, increased 4.3% from a year before, down from a 4.5% annual increase in June.  “It’s like the equivalent of going from a 104-degree to a 101-degree fever – it’s still elevated. It’s just not as hot as what we saw in the prior three months,” said Aneta Markowska, chief financial economist at Jefferies LLC. “There is still some pressure in the pipeline that should show up in the next few months.” | The Wall Street Journal | 08/12/2021 | Gwynn Guilford |
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| A ‘Death Knell’ Tax Threatens Family Farms and Businesses | President Biden has set his sights on enacting a new death tax on top of the existing estate tax.  On the campaign trail, Mr. Biden vowed that none of his tax increases would hit the middle class. He claims eliminating “step-up in basis” – the starting point for assessing capital-gains taxes – wouldn’t harm America’s family farms and businesses.  Four decades later Democrats want to dismantle a century-old tax law that has stitched the economic and social fabric of American agriculture together for generations. The 1921 Revenue Act codified step-up in basis at death. It has allowed property and livelihoods to be passed on to the next generation without a confiscatory tax.  The administration claims it would protect family businesses by making an exception for them. However, it merely defers the tax – the liability still exists.  What’s more, a tax lien could loom over the operations inhibiting family owners from obtaining a business loan or other financing. | The Wall Street Journal | 08/12/2021 | Chuck Grassley |
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| Inflation Hasn’t Been Beaten, It Is Just Tamer | Inflation is cooling down, but that doesn’t mean it is about to go cold.  Much of that gain was driven by price increases in food and fuel. Core prices, which exclude food and energy prices in an effort to better capture inflation’s Trend, rose 0.3% in July from a month earlier after rising 0.9% in June.  Used-car prices are just one of the many elements of inflation that seem likely to cool off as shortages and supply-chain bottlenecks get resolved. It could be a drawn-out process, though.  A similar dynamic could play out with the prices of many cervices.  When and if prices for cars, hotel rooms and so forth begin to normalize, they could put a drag on inflation readings. But rising prices for other items could create an offset. | The Wall Street Journal | 08/12/2021 | Justin Lahart |
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| Stocks Rise Ahead of Earnings  *Moderna, other vaccine makers climb as approval for booster shots nears* | Stocks rose ahead of a series of earnings reports later in the day and after fresh labor-market data provided insight on the pace of the recovery.  The S&P 500 gained 13.13 points, or 0.3%, to 44600.83, its 47th record of the year.  “Earnings have been nothing short of spectacular,” said Jeff Schulze, investment strategist at ClearBridge Investments. “It’s everything you want to see as an investor.”  Investors look toward the consumer sentiment data released Friday morning for more insight into how consumers feel about the economy.  Concerns about inflation are also receding after a Wednesday data release on consumer prices for July showed a decline on a monthly basis, dropping to 0.5% last month from 0.9% in June. | The Wall Street Journal | 08/12/2021 | Anna Hirtenstein and Hardika Singh |
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| Housing Price Up Across The U.S. | Home prices surged in almost every corner of the U.S. in the second quarter as robust demand continued to overwhelm the supply of jousting for sale.  Nationwide, the median single-family existing-home sales price rose 22.9% in the second quarter to $357,900 from a year ago, a record in data going back to 1968, NAR said. | The Wall Street Journal | 08/13/2021 | Nicole Friedman |
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|  | **DJIA** 35499.85 ▲ 14.88 0.04%  **NASDAQ** 14816.26 ▲ 0.3%  **10-YR. TREAS**. yield 1.366%  **OI**L $69.09 ▼ $0.16  **GOLD** $1,749.00 ▼ $1.40 | The Wall Street Journal | 08/13/2021 |  |
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| Covid-19 Hurts Outlook For Small Business | Small-business confidence dropped in August to its lowest level since early spring, as the rise in Covid-19 cases due to the highly transmissible Delta variant put a damper on expectations and turned entrepreneurs more cautious.  The measure is one part of a broader confidence index that also tracks metrics such as small-business owners’ outlook for their companies and their investment and hiring plans. That overall figure remains positive but fell to its lowest level since March. | The Wall Street Journal | 08/14-15/2021 | Ruth Simon |
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| Dow, S&P 500 Creep to Fresh Records | The S&P 500 drifted to a fresh high as investors drew confidence from a blockbuster round of earnings.  The broad stock-market gauge added 8.17 points, or 0.2%, to 4468.00 on Friday, clinching its 48th record close of 2021. The Dow Jones Industrial Average added 15.53 points, or less than 0.1%, to 35515.38. The tech-heavy Nasdaq composite edged higher 6.64 points, or less than 0.1%, to 14822.90.  “It’s quite a market but the underlying tone still seems fairly positive despite these background concerns,” said Paul O’Connor, head of multi asset at Janus Henderson Investors.  In the bond market, the yield on 10-year Treasury notes slipped Friday but notched its second week of gains, settling at 1.297%. Yields fall as bond prices rise. | The Wall Street Journal | 08/14-15/2021 | Joe Wallace and Gunjan Banerji |
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| For Now, U.S. Tops China in Growth | The U.S. and China are trading places in the economic growth race.  U.S. gross domestic product rose 12.2% in the second quarter of this year from a year earlier, outpacing China’s 7.9% gain.  The American edge should continue for at least the next few quarters, many economists say. That would be the first sustained period since at least 1990 in which the U.S. economy grew faster than China’s.  Although the U.S. economy took longer to right itself than China’s, the U.S. poured far more resources into a recovery. A combination of vaccinations, massive fiscal stimulus and near-zero interest rates pushed the U.S. ahead of China in GDP growth. The two countries’ responses to the Delta variant of the coronavirus may once again greatly affect their growth prospects.  Moody’s forecasts that U.S. GDP growth will outstrip China’s for five consecutive quarters, starting in the second quarter of 2021.  Since China started to open up its economy to the world in the 1970s, it has greatly narrowed the GDP gap with the U.S. Oxford Economics figures China will become No. 1 in 2030; Moody’s figures the crossover will occur in 2038. The wide difference in estimates shows the imprecision of the calculation.  Between 2011 and 2021 China closed the GDP gap with the U.S. by $2 trillion, according to International Monetary Fund estimates. | The Wall Street Journal | 08/16/2021 | Bob Davis |
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| What’s News | ♦ Fed officials are nearing agreement to begin scaling ack easy-money policies in about three months if the recovery continues, with some pushing to end their asset-purchase program by the middle of next year. | The Wall Street Journal | 08/17/2021 |  |
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| What’s News | ♦ China’s economy slowed more than expected in July as extreme weather and the highly contagious Delta variant of the coronavirus swept across the country. | The Wall Street Journal | 08/17/2021 |  |
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| What’s News | ♦ A new round of proposed Chinese regulations aimed at internet firms sent Alibaba’s U.S. listing down 4.9% to $173.73, its lowest close since October 2019. | The Wall Street Journal | 08/18/2021 |  |
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| Companies’ Cash Stockpile Gives Investors Reassurance | Investors are betting that cash-rich companies will increase spending on everything from factories to share buybacks, a combination many believe can boost s tocks in coming months.  Steady demand for stocks from companies joins a glut in household savings in powering indexes to highs, though the S&P 500 slipped 0.7% Tuesday. | The Wall Street Journal | 08/18/2021 | Hardika Singh |
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| U.S. Inflation Shouldn’t Alarm | Officials argue that today’s inflation is only temporarily higher as global prices rebound from the troughs of the pandemic and companies work through supply bottlenecks.  To be sure, the relative surge in some price categories, such as apparel, could be more indicative of demand-led pressure caused by American consumers being awash with cash. But the weakness in the latest U.S. retail sales data should be a check on any assumptions that a short-term rebound in spending will necessarily lead to a sustained boom. | The Wall Street Journal | 08/19/2021 | Jon Sindreu |
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| What’s News | ♦ Fed officials last month indicated they were on track to begin reversing their easy-money policies later this year, minutes of their policy meeting show. | The Wall Street Journal | 08/19/2021 |  |
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| What’s News | ♦ U.S. stocks dropped after the release of the Fed minutes, with the S&P 500 and Dow both shedding 1.1% and the Nasdaq losing 0.9%. | The Wall Street Journal | 08/19/2021 |  |
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| Price of Crude Drops To Lowest Since May | Oil prices fell Thursday to their lowest level in about three months after the U.S. dollar strengthened on concern that the global economic recovery might slow and the Federal Reserve’s signals that it will scale back stimulus measures.  Brent crude oil, the international benchmark in energy markets, dropped 2.6% to $66.45 a barrel. West Texas Intermediate futures, a key U.S. gauge, declined 2.7% to $63.69 a barrel. Both benchmarks ended at their lowest daily close since May. | The Wall Street Journal | 08/20/2021 | David Hodari |
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| Bonds Signal Confidence About Fed | For nearly two months, the extra yield investors demand to hold the 30-year U.S. Treasury bond over the five-year note has been mostly hovering just below 1.2 percentage points. The closely watched differential – known on Wall Street as the 5-30 spread – dropped sharply from about 1.4 percentage points after the Fed’s June 15-16 policy meeting.  Investors and analysts pay close attention to the 5-30 spread because it can show how near-term monetary policy is expected to affect the long-term economic outlook. In the early days of an economic expansion, the spread tends to be large because investors expect easy-money policies to help spur growth and inflation. The spread tends to shrink as the Fed raises interest rates to cool the economy.  Fed Chairman Jerome Powell said inflation was likely to slow substantially after surging in previous months but emphasized that the central bank was prepared to act if it didn’t. | The Wall Street Journal | 08/20/2021 | Sam Goldfarb |
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| What’s News | ♦ The U.S. housing market remained strong in July, with sales of previously owned homes rising at a faster pace than the prior month as high prices prompted owners to put more properties on the market. | The Wall Street Journal | 08/24/2021 |  |
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| Inflation Spike Challenges Fed Chairman | After a decade of low growth and inflation, Federal Reserve Chairman Jerome Powell unveiled a new strategy a year ago in which the central bank would keep interest rates lower for longer.  Reality has dealt Mr. Powell a different and unexpected challenge: the biggest inflation spike in decades. Consumer prices rose 5.4% in July from a year earlier.  Some central bank officials expect the recent price surges to reverse on their own, allowing the Fed to stick to the approach Mr. Powell outlined a year ago, intended to generate inflation slightly above 2%. Others see dangers that high inflation will persist, requiring the central bank to consider raising interest rates sooner or more aggressively than they had anticipated to force it down.  One growing group of officials is more nervous about the inflation surge and believes the economy no longer needs the gusher of easy money that has flooded the system over the past 18 months. They want to start winding down the Fed’s asset purchases sooner and more quickly than the others, making room to raise rates earlier if necessary.  Another camp thinks inflation is more likely to ease on its own over time. They worry that if they tighten policy prematurely, they will slow the economy too much, causing inflation to fall below their target again and making it harder to lift it.  Core prices, which exclude volatile food and energy costs, rose 3.5% in June from a year earlier, according to the Fed’s preferred gauge…  Others are nervous a bout overreacting. Chicago Fed President Charles Evans told reporters this month he thinks the pre-pandemic dynamics in which inflation, interest rates and global growth were historically low will eventually reassert themselves. He sees core inflation returning to around 2.1% at the end of next year. | The Wall Street Journal | 08/24/2021 | Nick Timiraos and Paul Kiernan |
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| U.S. Expansion Slows as Demand Cools | U.S. factories and service providers reported sharply slower growth in August, the forecasting firm HIS Markit said Monday in its surveys of purchasing managers.  “the expansion slowed sharply again in August as the spread of the Delta variant led to a weakening of demand growth, especially for consumer-facing services, and further frustrated firms’ efforts to meet existing sales,” said Chris Williamson, chief business economist at HIS Markit.  The European economy also slowed in August…  Notably, businesses said they were continuing to hire at the fastest pace in more than two decades, an indication they are confident that the spread of the Delta variant won’t send the eurozone economy back into contraction. | The Wall Street Journal | 08/24/2021 | Josh Mitchell and Paul Hannon |
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| S&P 500, Nasdaq Hit Records  *Stocks edge up as economically sensitive issues gain, investors weigh strong earnings* | Shares of banks, oil producers and companies in the travel industry helped power the stock market rally.  The broad U.S. equity index rose 6.70 points, or 0.1%, to 4486.23, its ninth record this month. The Dow Jones Industrial Average added 30.55 points, or 0.1%, to 35366.26. The tech-heavy Nasdaq composite gained 77.15 points, or 0.5%, to 15019.80, its first close above 15000.  Stocks have been grinding higher as investors weigh strong corporate earnings and the economic rebound against the global surge in Covid-19 cases…  Money managers are also assessing whether the Federal Reserve may slow down plans to pare back its easy-money policies because of signs that economic growth may be slowing.  Investors are looking ahead to comments from Fed officials at the central bank’s Jackson Hole Symposium…  In bond markets, the yield on the benchmark 10-year U.S. Treasury note rose to 1.289%, from 1.254% on Monday. Bond yields rise as prices fall. | The Wall Street Journal | 08/25/2021 | Will Horner and Karen Langley |
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| Steady Demand Lifts Muni-Bond Prices | The yield on the S&P Municipal Bond Index this summer fell below 1% for the first time since it was created in 1998.  The yield in questions – known as yield to worst – is the lowest rate the investor can expect to earn short of a default.  Still, investors can’t get enough of the bonds. Prices have surged even though outstanding muni debt has swelled by more than $100 billion in the year ended March 31, according to Federal Reserve data.  “If you’re sitting on the bonds that were issued three to five years ago I would rise it out,” said Greg Zandlo, president of Minneapolis-based North East Asset Management. It’s absolute gold.”  There are several factors driving the surging demand in munis.  Among them are concerns that President Biden and the Democratic-controlled Congress will raise taxes. | The Wall Street Journal | 08/25/2021 | Heather Gillers |
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| A Measured Powell Spurs Stock Rise  *S&P 500 and Nasdaq Composite hit records as Fed chief sees no rush to tighten policy* | The broad-based S&P 500 advanced 39.37 points, or 0.9%, to 4,509.37 after Mr. Powell’s highly anticipated speech at the virtual Jackson Hole conference. It was the first time the index closed above 4,500.  The technology-heavy Nasdaq rose 183.69, or 1.2%, to a record 15,129.50. The Dow Jones Industrial Average rose 242.68, or 0.7%, to 35,455.80. All three indexes were up or the week.  The central bank has been conducting $120 billion in monthly asset purchases to juice the economic recovery, while holding its benchmark short-term interest rate near zero. Such policies have helped propel stocks to all-time highs.  Mr. Powell reaffirmed Friday that the central bank would begin tapering bond purchases later this year.  In the bond market, the yield on 10-year Treasury notes fell to 1.311% from 1.342% Thursday.  New data released by the Commerce Department on Friday showed consumer spending grew 0.3% in July, suggesting the recovery has lost momentum amid uncertainty caused by the Delta variant. | The Wall Street Journal | 08/28-29/2021 | Alexander Osipovich and Joe Wallace |
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| Fed Stays Course to Pare Back Stimulus | Federal Reserve Chairman Jerome Powell reaffirmed the central bank’s emerging plan to begin reversing its easy-money policies later this year while explaining in greater detail why he expects a recent surge in inflation to fade over time.  Markets rallied Friday, with the S&P 500 hitting a fresh record. The index gained 0.9% to its first close above 4500, in the bond market, the yield on 10-year Treasury notes ell to 1.311% after Mr. Powell’s speech, from 1.342% Thursday. | The Wall Street Journal | 08/28-29/2021 | Nick Timiraos |
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| White House Raises Its Inflation Forecast | The White House more than doubled its forecast for annual inflation in new projections released Friday, as supply-chain disruptions stemming from the Covid-19 pandemic continue to put upward pressure on prices.  The Office of Management and budget said it expects consumer prices will rise 4.8% in the fourth quarter from a year earlier, up sharply from the 2% rise that the Biden administration forecast in May. Officials see those price pressures quickly abating next year, with the consumer-price index rising 2.5% in the fourth quarter of 2022, more than the 2.1% they expected in May, and reaching 2.3% in 2023.  Red Chairman Jerome Powell on Friday used most of his speech at a virtual symposium hosted by the Kansas City Fed to explain why he still believes this year’s inflation surge would prove temporary…  The White House also lifted its projections for growth this year to 7.2%, from 5% projected in May, which officials attributed in large part to the faster than expected economic recovery as more Americans became vaccinated. | The Wall Street Journal | 08/28-29/2021 | Kate Davidson |
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| Demand for Treasurys Resists Pullback  *Bond investors are encouraged by latest comments from Fed chief on inflation, rates* | Investors keep buying U.S. Treasury securities, defying predictions for a broad selloff that would send bond yields back to their March highs.  Yields, which move in the opposite direction of bond prices, have held steady in recent weeks after rising sharply in the first quarter and sliding in subsequent months as investors scaled back some of their most optimistic economic forecasts.  Treasurys cleared their latest big hurdle Friday when Federal Reserve Chairman Jerome Powell delivered a speech at the central bank’s annual symposium hosted by the Kansas City Fed. Analysts thought Mr. Powell might offer clues as to when the Fed might start scaling back its $120 billion in monthly asset purchases, including $80 billion of Treasurys – the type of move that sent shudders through the bond market in 2013.  Mr. Powell complied, to a degree, saying he thought the process likely could start before the end of the year. Yields fell when his prepared remarks were made public, underscoring the market’s near-indifference to tapering since the topic arose toward the end of last year.  Investors pay close attention to Treasury yields because they can both influence and reflect the economic outlook. The 10-year yield, in particular, helps set interest rates across the economy – from mortgages to corporate bonds – and tends to rise and fall along with expectations for growth and inflation.  John Briggs, global head of desk strategy at NatWest Markets, said he still thinks the 10-year yield can rise to around 1.65% by the end of the year… | The Wall Street Journal | 08/30/2021 | Sam Goldfarb |
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| Revenue Rises at Most of S&P 500 | More than three-quarters of the largest U.S. companies reported higher revenue than before covid-19, according to a Wall Street Journal analysis, indicating that many have adapted to changing business conditions caused by the coronavirus pandemic.  Roughly a third o the S&P 500 index have seen steady or rapid growth during the pandemic. Semiconductor, retail and pharmaceutical companies fared the best compared with other sectors. | The Wall Street Journal | 08/30/2021 | Kyle Kim |
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| Investors Signal Cautious Outlook | Some of the hottest stocks in the U.S. are pointing to an economic cool-down.  Utilities and healthcare are among the best-performing groups in the S&P 500 so far this quarter, with gains of 7.8% and 6.6%, respectively, compared with a 4.9% rise in the broad stock index.  The gains are noteworthy because investors typically pile into those types of stocks when they are expecting the outlook to darken.  Goldman Sachs this month cut its third-quarter U.S. economic growth forecast to 5.5% from 9%, citing slowing consumer spending in the face of renewed covid-19 outbreaks. | The Wall Street Journal | 08/30/2021 | Karen Langley |
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| S&P, Nasdaq Climb to Record Closes  *Technology, other growth stocks benefit from Fed chief’s inflation comments* | The U.S. stock benchmark has gained 21% in 2021 and clinched its highest number of records in a calendar year through August.  The S&P 500 rose 19.42 points, or 0.4%, to 4528.79. The tech-heavy Nasdaq Composite advanced 136.39 points, or 0.9%, to 15265.89, its 32nd record close of the year. The Dow Jones Industrial Average slipped 55.96 points, or 0.2%, to 35399.84.  Low interest rates tend to boost technology stocks, which often trade at high prices in part because investors expect them to post strong growth far into the future. Shares of Apple rose 3%, while Microsoft shares added 1.3%.  The economically sensitive financial and energy sectors, meanwhile, were among those that lost ground as concerns about the Delta variant of covid-19 continue. | The Wall Street Journal | 08/31/2021 | Karen Langley and Caitlin Ostroff |

**A RECORD –** The median sales price of existing homes sold in the United States was $329,100 in March 2021, an all-time record both on a nominal basis (i.e., not adjusted for inflation) and on an inflation-adjusted basis (source: national Association of Realtors.

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