



## Market Commentary October 4, 2021

### Dear Investors:

September strikes again...

If you look back over the last 20 years, September has been the worst performing month for the Standard & Poor's 500 Index, according to Nasdaq.

This year, the S&P 500 dropped 4.8 percent in September. That wasn't enough to wipe out gains from earlier in the third quarter, and the Index finished the quarter slightly higher. The Dow Jones Industrial Average and the Nasdaq Composite Index also tumbled in September. Their losses erased the previous two month's gains, so the Dow and Nasdaq finished the quarter lower than they started it, reported Caitlin McCabe and Caitlin Ostroff of *The Wall Street Journal*.

Investors had a lot to consider during September and over the third quarter, including:

- **Resurgence of the coronavirus.** On July 1, the seven-day moving average of coronavirus cases in the United States was about 14,500. Early September, the average had rocketed to about 170,000. By the end of September, the average was trending lower, reported the Centers for Disease Control.

One result of COVID-19 is that life expectancy at birth fell from 2019 to 2020. In the United States, life expectancy at birth has fallen by more than one year. Italy, Poland and Spain also have seen life expectancy drop by more than one year, reported *The Economist*. Lifespan increased in two countries: Denmark and Norway.

- **Global economic growth concerns.** The resurgence of COVID-19 also dented global business executives' confidence that the world economy will improve during the next six months, according to latest *McKinsey Global Survey*. While the majority (71 percent) of those surveyed said that economic conditions will improve in the coming months, the number was lower than the prior quarter's 81 percent. Survey respondents said the top risks to economic growth were the pandemic, supply chain disruptions and inflation.
- **Supply chain disruptions.** The supply chains issues created by the pandemic have not been easy to resolve. David Lynch of *The Washington Post* reported:

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“The commercial pipeline that each year brings \$1 trillion worth of toys, clothing, electronics and furniture from Asia to the United States is clogged and no one knows how to unclog it...the median cost of shipping a standard rectangular metal container from China to the West Coast of the United States hit a record \$20,586, almost twice what it cost in July, which was twice what it cost in January, according to the Freightos index. Essential freight-handling equipment too often is not where it’s needed, and when it is, there aren’t enough truckers or warehouse workers to operate it.” Toward the end of September, more than 70 container ships were anchored near the West coast, waiting for a berth to open so goods could be delivered.

- **Rising inflation.** The cost of producing goods has been increasing. “The producer price index, a proxy for corporate or wholesaler costs, has risen for eight months in a row and, in August, was up 10.5% from a year earlier, the highest reading since June 1981. Compare this to the consumer price index, a proxy for realized manufacturer or retailer prices, which was up 5.3%. This 5.2-percentage-point gap is one of the largest in more than 40 years, suggesting higher costs are outpacing merchant end-prices...,” reported Lisa Shalett of Morgan Stanley. When producer costs rise faster than consumer prices, companies’ profitability may drop and that could negatively affect earnings.
- **Tightening central bank policy.** The Federal Reserve is concerned about inflation, too, and is considering a move toward less accommodative monetary policy. In late September, Federal officials indicated that tapering – slowly reducing monthly purchases of securities – could begin later this year. Once purchases have ended, the Fed could begin to raise interest rates in late 2022 or 2023, depending on how the economy is growing, reported Jonnelle Marte of *Reuters*.

As if these issues weren’t enough, investors also had to process the potential effects of a global energy crisis, China’s regulatory crackdown, and another U.S. debt-ceiling standoff.

Despite these challenges, the fourth quarter got off to a good start on Friday. Eighty percent of the companies in the S&P 500 saw their share prices rise. The S&P 500 gained 1.2 percent for the day, while the Dow rose 1.4 percent, and the Nasdaq gained 0.8 percent, reported Jacob Sonenshine and Jack Denton of *Barron’s*.

| Data as of 10/1/21                 | 1-Week | Y-T-D | 1-Year | 3-Year | 5-Year | 10-Year |
|------------------------------------|--------|-------|--------|--------|--------|---------|
| Standard & Poor's 500 Index        | -2.2%  | 16.0% | 28.9%  | 14.2%  | 15.1%  | 14.8%   |
| Dow Jones Global ex-U.S. Index     | -2.8   | 4.0   | 21.2   | 5.8    | 6.5    | 5.5     |
| 10-year Treasury Note (yield only) | 1.5    | N/A   | 0.7    | 3.1    | 1.6    | 1.8     |
| Gold (per ounce)                   | 0.6    | -6.9  | -7.6   | 13.9   | 6.0    | 0.6     |
| Bloomberg Commodity Index          | 2.0    | 29.3  | 43.7   | 5.3    | 3.4    | -3.2    |

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance; MarketWatch; djindexes.com; Federal Reserve Bank of St. Louis; London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

## CAN WE TALK?

The pandemic accelerated the adoption of autonomous checkouts at retailers. Some stores have self-checkouts, while others have installed a “combination of sensors, cameras, computer vision and deep learning” that makes it possible to eliminate cashiers and checkouts entirely, reported Anna Oleksiuk on the Intellias blog.

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At the other end of the shopping-experience spectrum is the “Klets-kassa,” also known as the “chatty checkout,” which was implemented by a large grocery store chain in the Netherlands. It’s a checkout line that promises conversation with the cashier.

“1.3 million people in the Netherlands are older than 75 years – and one large supermarket chain is making sure they’re not getting too lonely in their elder years. The Dutch government with its campaign, ‘One Against Loneliness,’ has galvanized organizations, towns, companies, and individuals to find solutions. The [grocery store chain]...is doing their part with its innovative chatty check outs,” reported *The Good News Network*.

The slower, chatty lane was developed specifically for older citizens, but may appeal to a much wider group of people on days when they have the time to engage.

### **Weekly Focus – Think About It**

“For me, I am driven by two main philosophies: know more today about the world than I knew yesterday and lessen the suffering of others. You’d be surprised how far that gets you.”

—Neil deGrasse Tyson, *astrophysicist*

Best regards,

### **SYMPHONY FINANCIAL SERVICES, INC.**

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- \* The Standard & Poor’s 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- \* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- \* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- \* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- \* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- \* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- \* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- \* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

4100 Embassy Parkway, Suite 100, Akron, Ohio 44333-1783

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