



Market Commentary June 14, 2021

Dear Investors:

It's transitory. It's not transitory. It's transitory. It's not transitory.

Media analysts were plucking the inflation daisy petals last week. On Thursday, the *Bureau of Labor Statistics* released the Consumer Price Index Summary, which showed prices were up 5 percent year-to-year.

"Investors are debating whether the surge in prices at both a producer and consumer level will prove transitory, as the U.S. Federal Reserve believes, or become entrenched. Much of the angst over medium term inflation pressure becoming hotter is fueled by the backdrop of aggressive fiscal and monetary policy. This potentially combustible mix has a policy additive from a Fed prepared to tolerate a higher pace of inflation beyond its target of 2 percent for an unspecified period," reported Michael Mackenzie of *Financial Times*.

Last week, investors took inflation data in stride. *Barron's* reported the Standard & Poor's 500 Index closed at a new all-time high on Friday. The Nasdaq Composite also finished higher, while the Dow Jones Industrial Index was slightly lower. The yield on longer U.S. Treasuries moved lower, too, which was notable. In theory, rising inflation and rising interest rates should go hand in hand.

Rising inflation remained a top concern for consumers in June, according to Richard Curtin, the *University of Michigan Surveys of Consumers* chief economist:

"Fortunately, in the emergence from the pandemic, consumers are temporarily less sensitive to prices due to pent-up demand and record savings, as well as improved job and income prospects. The acceptance of price increases as due to the pandemic makes inflationary psychology more likely to gain a foothold if the exit is lengthy."

Inflation psychology occurs when consumers believe prices will continue to rise over time and begin to spend money as soon as they receive it, according to *Investopedia*. There is a remedy, according to Curtin. "A shift in the Fed's policy language could douse any incipient inflationary psychology, it would be no surprise to consumers, as two-thirds already expect higher interest rates in the year ahead."

(The one-year numbers in the scorecard below remain noteworthy. They reflect the strong recovery of U.S. stocks from last year's coronavirus downturn to the present day.)

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Data as of 6/11/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.4%	13.1%	41.5%	15.2%	15.4%	12.8%
Dow Jones Global ex-U.S.	1.3	10.1	36.2	6.3	9.2	3.7
10-year Treasury Note (Yield Only)	1.5	NA	0.7	3.0	1.6	3.0
Gold (per ounce)	-1.0	-0.4	8.2	13.1	8.0	2.1
Bloomberg Commodity Index	2.3	21.7	48.2	2.0	1.3	-5.4

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.

NECESSITY IS THE MOTHER OF INVENTION... Businesses have been finding innovative solutions to labor issues forever. For example, dogs were once bred to cook, according to *Popular Science's* podcast, *The Weirdest Thing I Learned This Week*.

When people relied on fire to roast meat, the spit was an invaluable tool. However, turning a spit for hours wasn't a popular job, so dogs were bred and trained to turn spits. "The first mention of the turnspit dog...was in 1576...The long story short here is that people bred terrier-like dogs to...fit easily into these treadmills that powered various kitchen aids, but primarily the roasting spit."

By some accounts, the poor working conditions of turnspit dogs in New York hotels contributed to the founding of the American Society for the Prevention of Cruelty to Animals (ASPCA).

Today, pandemic labor shortages have sparked innovation. Companies that are having difficulty finding workers are adopting technological solutions. For example:

Modern-day food automats. A vast improvement over food vending machines, some restaurants are using technology to replace servers. Patrons order on a screen and the food is delivered in numbered cubby holes. The kitchen staff is in the back preparing the orders.

Grab-and-go groceries. People scan an app before they enter a grocery store that has no cashiers. As they shop, cameras and sensors track what they remove from shelves or bins. "...the technology had to be tweaked to account for how people squeeze tomatoes to test for ripeness or rummage through avocados to find just the right one," reported Joseph Pisani of the *Associated Press*. (Tip: When shopping in grab-and-go groceries, don't take items off high shelves for other shoppers – you may be charged if the person you helped leaves the store with the goods.)

Bricks-and-mortar online shopping. A women's clothing boutique outfitted its new stores with screens so shoppers may select the clothes they want to try on. Then, the shopper is escorted to a dressing room where the clothes are hanging in a wardrobe. "Another touch screen in the dressing room lets you request even more items and sizes, but instead of awkwardly trying to hail a salesperson in your underwear, you just close the wardrobe, and someone in body-con Narnia adds it through the back," reported Emilia Petrarca of *The Cut*.

What's your favorite pandemic innovation?

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Weekly Focus – Think About It

“Before you become too entranced with gorgeous gadgets and mesmerizing video displays, let me remind you that information is not knowledge, knowledge is not wisdom, and wisdom is not foresight. Each grows out of the other, and we need them all.”

—Arthur C. Clarke, *Writer*¹¹

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* 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.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

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* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

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