SYMPHONY
FINANCIAL SERVICES, INC.

Market Commentary
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Dear Investors:

Uncle Inflation is here. Will he overstay his welcome?

Ever since the financial crisis, central banks have pursued expansionary monetary policies to encourage reflation and avoid deflation. Well, it's taken some time, but inflation is finally here.

Last week, major stock indices in the United States moved lower after inflation, as measured by the Consumer Price Index (CPI), was four times higher than anticipated, reported Ben Levisohn of *Barron's*.

Higher inflation is the result of a supply and demand imbalance. As the pandemic has calmed in the United States, consumers have emerged eager to spend money – so eager that consumer spending is about 5.5 standard deviations above average. That's a lot.

The problem is finding stuff to buy. *The Economist* explained, "…red-hot demand is increasingly met slowly or not at all…Nowhere are shortages more acute than in America, where a boom is under way. Consumer spending is growing by over 10 percent at an annual rate, as people put to work the $2trn-plus of extra savings accumulated in the past year."

Shortages are the result of two kinks in the supply hose.

The first is the supply chain. There is a shortage "of everything from timber to semiconductors," which are essential to building other products. In addition, shipping containers have become a scarce resource, causing the cost of shipping goods from China to the United States to triple, reported *The Economist*.

The second is labor. This week's higher-than-expected inflation data mirrored last week's lower-than-expected employment data. No one is certain why the employment numbers were lackluster, although theories abound. Regardless, there are limits on what companies can produce when they have too few employees.

The question is whether supply chains can be straightened so demand for goods and services can be met. If so, higher inflation may prove transitory as the Federal Reserve and some economists anticipate. If not, inflation may stick around. Time will tell.

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(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.)

Data as of 5/14/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.4%	11.1%	46.3%	15.2%	15.1%	12.1%
Dow Jones Global ex-U.S.	-1.9	5.7	46.2	4.3	8.2	3.0
10-year Treasury Note (Yield Only)	1.6	NA	0.6	3.0	1.8	3.2
Gold (per ounce)	0.1	-2.6	6.2	11.7	7.4	2.1
Bloomberg Commodity Index	-1.9	17.9	50.1	0.6	1.6	-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.

CONFIDENCE IS RETURNING. The big news last week was the announcement from the Centers for Disease Control (CDC) that fully vaccinated Americans can resume normal activities without wearing masks or social distancing, except where required by law. Suffice it to say, people are ready to return to normal.

Results from the latest Axios-Ipsos Coronavirus survey, conducted in early May, found Americans were feeling more optimistic. Among those surveyed:

- 59 percent had visited friends or relatives during the previous week.
- 54 percent had gone out to eat during the previous week.
- 31 percent had made plans for the summer.
- 18 percent had a stronger sense of emotional well-being, a six-point jump from the prior survey.
- 60 percent indicated trips to salons, barber shops, and spas were low- or no-risk activities, up six points from the last survey.

If your exuberance about resuming "normal" life has been tempered by a reluctance to change the routines you've adopted during the pandemic, you're not alone. Medical experts at *Northwestern University* explained:

> "The emotional impact of this past year may linger with us for longer than we might expect. The key is not to feel forced to snap back into a routine overnight. Give yourself time and understand that your emotional journey back to freely socializing in vaccinated cohorts may look very different from those around you."

As some people say, "You do you."

Weekly Focus – Think About It

"We must have ideals and try to live up to them, even if we never quite succeed. Life would be a sorry business without them. With them it's grand and great."

--Lucy Maude Montgomery, Author

Best regards,

John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

* Consult your financial professional before making any investment decision.

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