



## Market Commentary July 6, 2021

### Dear Investors:

The world is about halfway back to normal.

*The Economist* developed the Global Normalcy Index (GNI) to measure the post-pandemic return to normal. In March 2020, the GNI was 35 overall, with 100 being the normal pre-pandemic level. At the end of the second quarter, the worldwide GNI was 66, or about halfway back to normal.

Activity in the United States has been recovering faster than in other nations. The U.S. GNI was 72.8 on June 30. However, recovery in the U.S. has been uneven. For instance,

**Employment is improving, but more slowly than anticipated.** Last week's jobs report showed a better-than-expected gain of 850,000 jobs in June. However, April and May jobs reports were below economists' expectations, reported Randall Forsyth of *Barron's*. In June, the unemployment rate was 5.9 percent, which is an improvement on the double-digit pandemic unemployment rate, but above the pre-pandemic level of 3.5 percent.

**Employers are having trouble filling positions.** Despite the fact that 9.3 million people remain out of work, trucking companies, airlines, restaurants, hotels, shipyards, factories, banks and other employers report having difficulty filling open positions, reported Julia Horowitz of *CNN News*.

In a *Barron's* commentary, Suzanne Clark, the CEO of the U.S. Chamber of Commerce, stated that solving the worker shortage should be the nation's top priority. She suggested expanding access to childcare, supporting employer-led skills training, ending supplemental unemployment benefits, welcoming global talent and prioritizing second-chance hiring.

**Workers are leaving jobs.** Hidden among the employment data was a surprising trend that some have dubbed 'The Great Resignation.' In June, 942,000 Americans – 9.9 percent of those who were unemployed – were job leavers. They had resigned from their jobs. For comparison, the number of people leaving jobs during the entire second quarter of 2019 was 809,000.

“As pandemic life recedes in the U.S., people are leaving their jobs in search of more money, more flexibility and more happiness. Many are rethinking what work means to them, how they are valued, and how they spend their time,” reported Andrea Hsu of *NPR*.

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**Prices are rising more quickly than anticipated.** Anyone who shopped for groceries for a Fourth of July barbecue or made an above-asking-price offer for a house (and waived the inspection), knows that prices have moved higher.

Core Personal Consumption Expenditures (PCE without food or energy), which is the Fed’s favored measure for inflation, rose steadily during the second quarter. In May, core PCE was up 3.4 percent. When food and energy were included, PCE was up 3.9 percent.

**Inflation concerns consumers.** Consumer sentiment was up year-over-year from May 2020 to May 2021. However, inflation dampened sentiment and expectations declined from April 2021 to May 2021, according to the *University of Michigan’s Surveys of Consumers*.

“Twice as many consumers expected that the inflation rate would be 5% or more in the year-ahead rather than 2% or below (44% versus 22%). Importantly, consumers still anticipated declining inflation over the longer term,” reported Director of Surveys Richard Curtin.

**The Delta variant is a wild card.** At the end of last week, about 182 million Americans (64 percent of the population age 12 or older) had received at least one dose of a COVID-19 vaccine, and 157 million were fully vaccinated (55 percent of the population age 12 or older), per the Centers for Disease Control and Prevention. That helped reduce the number of COVID-19 cases and deaths, so the country could begin to move back toward ‘normal.’

Last week, the number of coronavirus cases in the U.S. began to creep higher as the highly contagious Delta variant spread. It was responsible for about 20 percent of new U.S. cases. Tanya Lewis of *Scientific American* reported, “Several experts said they do not expect the Delta variant to cause a nationwide surge here in the U.S. like the one that occurred last winter. But they do anticipate localized outbreaks in places where vaccination rates remain low.”

U.S. equity markets continued to move higher during the second quarter. The Standard & Poor’s 500 Index, “...gained 8.2% during the second quarter of 2021, its fifth consecutive quarterly gain, which is the longest streak since the fourth quarter of 2017. Its first-half gain of 14.4% was the best since 2019 and the second-best since 1998,” reported Ben Levisohn of *Barron’s*.

(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 7/2/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.7%	15.9%	39.1%	16.9%	15.8%	12.5%
Dow Jones Global ex-U.S.	-1.3	7.9	31.4	7.5	8.5	3.1
10-year Treasury Note (Yield Only)	1.4	NA	0.7	2.9	1.4	3.1
Gold (per ounce)	0.0	-5.4	0.5	12.7	5.8	1.8
Bloomberg Commodity Index	2.8	21.7	44.7	3.5	1.7	-5.0

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.

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## **THE HOUSING MARKET BOOM.**

Low mortgage rates, high demand for homes and a limited supply of existing homes have pushed the cost of housing through the roof. In May, U.S. home prices were 23.6 percent higher than they were a year ago. The median sale price for an existing home was \$350,300, and properties were selling at a rapid clip. Sales were constrained primarily by a lack of inventory and reduced affordability, reported the National Association of Realtors (NAR).

Housing prices are higher around the globe. Sweden, Denmark, Russia, Canada, South Korea, Taiwan, the United Kingdom, and other nations have seen home prices increase, too, reported Delphine Strauss and Colby Smith of the *Financial Times*.

While high demand and rising prices are good for homeowners, the phenomenon has economists and policymakers worried. "...The runaway market holds two concerns...First, prices could spiral into bubble territory, making economies vulnerable to a sudden market correction that would hit household wealth...Second, home ownership could become even more unaffordable for young people and key workers who were already priced out of many areas before the pandemic — entrenching inequalities between generations..."

### **Weekly Focus – Think About It**

"If you are always trying to be normal, you will never know how amazing you can be."

— *Maya Angelou, Poet*

Best regards,

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

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.

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\* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

\* 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.

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- \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
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