



Market Commentary December 13, 2021

Dear Investors:

Inflation met expectations.

When the Bureau of Labor Statistics released the Consumer Price Index (CPI) last week, it showed that inflation was at levels last seen in 1982. In November, prices were up 0.8 percent month-to-month and 6.8 percent year-to-year.

“It was the blowout, superhot inflation number that everyone was expecting—and it was met with a shrug,” reported Ben Levisohn of *Barron’s*. “The major indexes, for their part, rose a touch on Friday to finish what turned out to be a fantastic week: The S&P 500 gained 3.8% to hit a new high, while the Dow Jones Industrial Average rose 4.0% and the Nasdaq Composite gained 3.6%.”

The bond market’s response to the CPI was unexpected, as well. “Indeed, Treasury inflation-protected securities were saying price pressures in future years will be abating instead of getting worse,” reported Randall W. Forsyth of *Barron’s*.

Forsyth was referring to the breakeven rate, which is the difference in the yields of Treasuries and the yields of inflation-protected Treasuries with the same maturities. The breakeven rate is a measure of investors’ inflation expectations for the next five years. On Friday, the 5-year Breakeven Inflation Rate was 2.76 percent. That was below its November high of 3.17 percent.

The financial markets’ tepid response to the CPI sparked debate about whether inflation has peaked.

No matter which side of the argument you come down on, “The surge in inflation since the start of 2021 means that it is guaranteed to remain elevated in annual terms for a while to come. A relatively optimistic forecast would have inflation returning to its pre-pandemic norm only at the very end of 2022,” reported *The Economist*.

Data as of 12/10/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	3.8%	25.5%	28.5%	21.3%	15.9%	14.3%
Dow Jones Global ex-U.S. Index	1.5	4.4	6.9	10.3	7.0	5.0
10-year Treasury Note (yield only)	1.49	N/A	0.9	2.9	2.5	2.0
Gold (per ounce)	0.7	-5.7	-3.5	12.6	9.0	0.7
Bloomberg Commodity Index	1.2	24.2	29.4	5.4	1.9	-3.7

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

330-434-2000 / Fax: 330-665-1515

www.symphony-financial.com

Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Symphony Financial Services, Inc., a registered investment advisor and separate entity from LPL Financial.

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; U.S. Treasury; 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.

SENTIMENT ROUND-UP...

The *University of Michigan's* Index of Consumer Sentiment showed an increase in optimism in early December – and it had nothing to do with the Michigan Wolverines winning the Big 10 Championship for the first time in 17 years.

The Consumer Sentiment Index was up (+4.5 percent) month-to-month, although it remained down year-to-year (-12.8 percent). Respondents were feeling a bit more positive about current economic conditions (+1.4 percent) and significantly more cheerful about the future (+6.8 percent) than they were in November.

When respondents were asked whether inflation or unemployment was a more serious problem in the United States, 76 percent chose inflation, 21 percent said unemployment, and the remainder couldn't decide or thought both were problems.

AII Investor Sentiment Survey showed that bullishness crept higher last week, but a larger percentage of investors are feeling bearish (30.5 percent) than bullish (29.7 percent). Almost 40 percent of those surveyed were neutral, meaning they were uncertain whether the stock market would move higher or lower over the next six months.

Some say this survey is a strong contrarian indicator, meaning the stock market may do the opposite of what survey respondents think will happen. In other words, if respondents were strongly bullish, the market might be expected to move lower over the next six months, and vice versa. The strong neutral reading indicates investors don't know what to expect.

TIM Group Market Sentiment Survey reflects the real-time advice that investment bankers, corporate financial advisors, and other sell-side firms are providing to clients.¹⁰ Last week, survey respondents took a turn to the bearish. The survey's sentiment reading was 43 percent, down from 46.8 percent two weeks ago. (A reading of zero is completely bearish and a reading of 100 is completely bullish.)

What do you expect during the next six months?

Weekly Focus – Think About It

“The only function of economic forecasting is to make astrology look respectable.”

—*John Kenneth Galbraith, economist*

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.

Securities offered through LPL Financial, Member FINRA/SIPC.

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

330-434-2000 / Fax: 330-665-1515

www.symphony-financial.com

Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Symphony Financial Services, Inc., a registered investment advisor and separate entity from LPL Financial.

- * 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.
- * 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.
- * These views are those of Carson Coaching, not the presenting Representative, the Representative's Broker/Dealer, or Registered Investment Advisor, and should not be construed as investment advice.
- * This newsletter was prepared by Carson Coaching. Carson Coaching is not affiliated with the named firm or broker/dealer.
- * 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.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- * Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
- * Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- * The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
- * There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
- * Asset allocation does not ensure a profit or protect against a loss.
- * Consult your financial professional before making any investment decision.

Sources:

<https://www.bls.gov/news.release/cpi.nr0.htm>
https://www.barrons.com/articles/inflation-stocks-bond-market-51639184279?mod=hp_LEAD_3 (or go to
https://resources.carsongroup.com/hubfs/WMC-Source/2021/12-13-21_Barrons_If%20Inflation%20Isn't%20a%20Threat%2c%20These%20Beaten%20Up%20Stocks%20Might%20Be%20a%20Bargain_2.pdf)
<https://www.barrons.com/articles/why-the-markets-are-shrugging-off-the-latest-inflation-numbers-51639154714> (or go to
https://resources.carsongroup.com/hubfs/WMC-Source/2021/12-13-21_Barrons_Why%20the%20Markets%20Shrugged%20Off%20the%20Latest%20Inflation%20Numbers_3.pdf)
<https://fred.stlouisfed.org/series/T5YIE>
<https://www.economist.com/finance-and-economics/why-high-inflation-will-persist-in-america-well-into-the-new-year/21806769>
https://www.espn.com/college-football/story/_/id/32792986/michigan-cade-mcnamara-big-ten-title-wanted-win-coach-harbaugh
(or go to https://resources.carsongroup.com/hubfs/WMC-Source/2021/12-13-21_The%20Economist_Why%20High%20Inflation%20Will%20Persist%20in%20America%20Well%20Into%20the%20New%20Year_6.pdf)
<http://www.sca.isr.umich.edu>

4100 Embassy Parkway, Suite 100, Akron, Ohio 44333-1783
330-434-2000 / Fax: 330-665-1515
www.symphony-financial.com

Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Symphony Financial Services, Inc., a registered investment advisor and separate entity from LPL Financial.

<https://www.aaii.com/sentimentsurvey>
<https://www.aaii.com/journal/sentimentsurveyarticle>
https://sts3.wsj.net/barrons/static_files/newsletterPreviews/marketLab.html (or go to
https://resources.carsongroup.com/hubfs/WMC-Source/2021/12-13-21_Barrons_Market%20Lab_10.pdf)
https://www.barrons.com/market-data/market-lab?mod=md_subnav (or go to https://resources.carsongroup.com/hubfs/WMC-Source/2021/12-13-21_Barrons_Market%20Lab%202_11.pdf)
<https://www.brainyquote.com/authors/john-kenneth-galbraith-quotes>



*4100 Embassy Parkway, Suite 100, Akron, Ohio 44333-1783
330-434-2000 / Fax: 330-665-1515
www.symphony-financial.com*

Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Symphony Financial Services, Inc., a registered investment advisor and separate entity from LPL Financial.