Weekly Commentary

June 7, 2021

THE MARKETS

Pulling the economy out of the shed.

If you've ever stored tools or machinery in a shed or garage for an extended period of time, you know they often need some care and repair to function properly. The same appears to be true of the pandemic economy.

Economic growth in the United States is on the rebound. The latest report shows real gross domestic product, which is the value of all goods and services produced in our country, was up 6.4 percent annualized during the first quarter of 2021, an improvement from 4.3 percent in the fourth quarter of 2020. Also, pandemic restrictions have been lifted. Americans have begun to spend more and save less, and there is high demand for goods and services.

The economy appears to be primed for stronger growth, but there are some glitches in the system – namely labor and supply chains.

For the second month in a row, the May U.S. employment report showed fewer jobs gains than anticipated, although the unemployment rate dropped from 6.1 percent to 5.8 percent during the month. Then, last week, the *Institute for Supply Management (ISM)* reported its *Manufacturing Business Survey* found new orders were up and production was down.

PR Newswire reported, "Record-long lead times, wide-scale shortages of critical basic materials, rising commodities prices, and difficulties in transporting products are continuing to affect all segments of the manufacturing economy. Worker absenteeism, short-term shutdowns due to part shortages, and difficulties in filling open positions continue to be issues that limit manufacturing-growth potential."

Concern about these issues may explain, in part, why U.S. stocks have been "trading sideways" for the last few weeks. Ben Levisohn of *Barron's* reported, "The S&P 500 has gone almost nowhere since the middle of April. Yes, there have been weekly moves of more than 1 percent, up or down – two of the former, one of the latter – but the index itself has gained just 0.9 percent since then. Even recent daily moves have been relatively muted."

Yields on 10-year Treasuries retreated last week, which may reflect investors' concerns about the economy, too. Rates tend to move higher as the economy strengthens. Major U.S. stock indices moved higher.

(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 6/4/21	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 (Domestic Stocks)	0.6%	12.6%	35.9%	15.5%	14.9%	12.6%
Dow Jones Global ex-U.S.	1.0	9.8	34.3	6.4	8.4	3.5
10-year Treasury Note (Yield Only)	1.6	NA	0.8	2.9	1.7	3.0
Gold (per ounce)	-0.5	0.2	11.2	13.4	8.7	2.0
Bloomberg Commodity Index	2.0	21.3	47.1	1.9	1.5	-5.4

Notes: S&P 500, DJ 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, 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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IN THIS ISSUE:

COME HERE RONA! HEEL, COVI!

Prior to the pandemic, *The Economist* reported Euromonitor anticipated, "…the number of pet cats worldwide to grow by 22 percent between 2018 and 2024, compared with 18 percent for dogs. Cats are better suited to apartment living than dogs, so they are more at home in the densely populated, fast-growing cities of Asia."

Then, the pandemic spurred a global pet and pet industry boom. In 2020, Americans spent $103.6 billion on their pets, reported the *American Pet Products Association*:

- Food and treats: $42.0 billion
- Veterinarian care and products: $31.4 billion
- Supplies and medicines: $22.1 billion
- Other services: $8.1 billion

Spending is expected to rise to $109.6 billion in 2021.

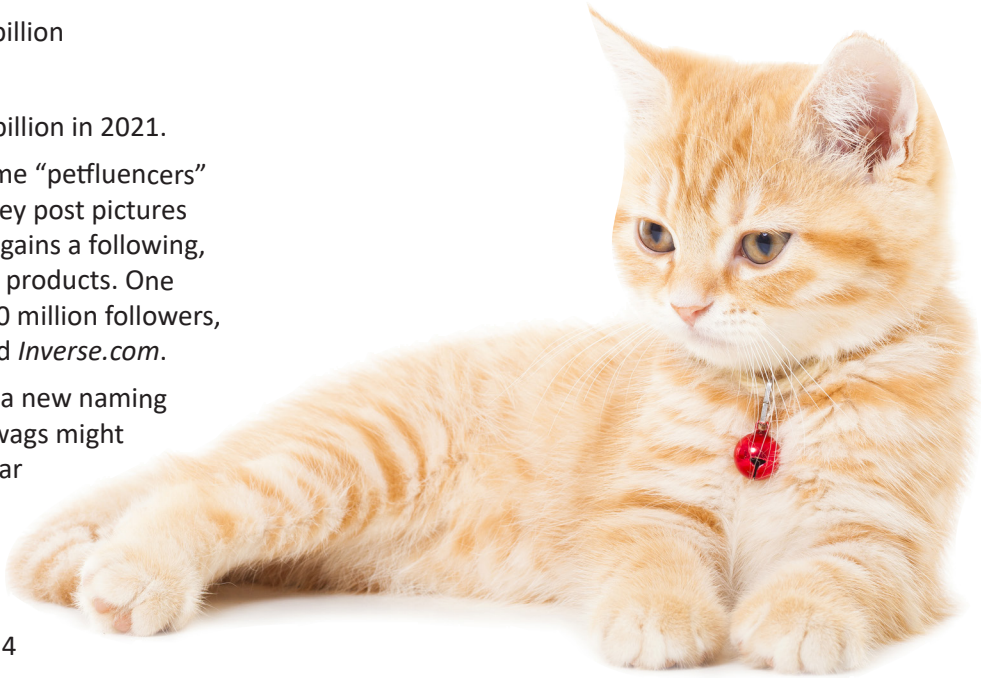
Some tenacious pet owners have become "petfluencers" to offset the costs of pet ownership. They post pictures of their pets on social media. If the pet gains a following, brands will pay for the pet to pose with products. One popular Pomeranian, with more than 10 million followers, earned about $23,900 in 2020, reported *Inverse.com*.

The pandemic pet boom also triggered a new naming convention: pandemic-inspired (some wags might say uninspired) names. The most popular 2020 pet names were mainstream choices, such as Bella, Luna, Lucy, Max, Charlie, and Cooper. However, Covi (up 1,159 percent, possibly from zero), Rona (up 69 percent), and Corona (up 24 percent) were trending, too, per *Rover.com*.

Here's the really important news: Dogs remain more popular than cats in the United States. About 63 percent of American households own dogs, while just about 43 percent have cats.

WEEKLY FOCUS - THINK ABOUT IT

"'Meow' means 'woof' in cat."



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 e-mail with their e-mail address and we will ask for their permission to be added. Michael A. Poland, CFA® – Financial Advisor and Portfolio Manager. Mike is a Chartered Financial Analyst with a BA from Michigan State University and an MBA from the University of St. Thomas, in St. Paul, Minnesota. Mike has been in the financial service industry since 1989. Mike's prior experience was with PaineWebber, Merrill Lynch and Rehmann Financial. Mike is a member of the CFA Society of West Michigan, and has served on the boards of The Builders Exchange of Grand Rapids and West Michigan , Mona Shores Education Foundation. and the West Michigan Symphony Orchestra. Mike lives in Norton Shores with his wife and three children.

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