

# Weekly Commentary

September 20, 2021

## THE MARKETS

In recent weeks, bullish sentiment has drifted lower like sediment settling after a storm.

Every month, Bank of America (BofA) surveys global asset managers. The most recent survey, which was conducted in early September, showed that fewer managers remain optimistic about prospects for global economic growth (13 percent) or corporate profitability (12 percent). That's half the number in the previous survey and the lowest percent since April 2020, reported Katie Martin of *Financial Times*.

When optimism declines, managers typically retreat to safer harbors and portfolio exposure to stock declines. That hasn't happened this time. About one-half of the global asset managers surveyed in early September by BofA were overweight stock. Cash allocations were rising slowly and there appeared to be little appetite for government bonds, according to *Financial Times*.

The BofA survey also reported on the concerns of global asset managers. "Inflation is the biggest tail risk for markets, followed by taper tantrum, and COVID-19 Delta variant," reported *Bloomberg*. Tail risk is the chance that a loss will result from an unusual event.

Rapidly changing conditions in China also may be a concern for investors. The Chinese government's recent regulatory enforcement actions during 2021 have negatively affected market values of companies in education, technology, entertainment and home building sectors.

Last week, a number of financial bloggers and commentators were arrested in China, and many financial websites and blogs were scrubbed from China's social media platforms. The change could

help reduce fraud with the unwelcome side effect of eliminating non-government viewpoints, reported *Financial Times*.

"The uncertainty hovering over China now includes threats of tougher regulation, higher tax rates, greater charitable giving and government influencing business decisions," reported *Financial Times*. A China expert cited by the newspaper commented, "All of that just leads to the fundamental question of what happens to that excess return that you used to be able to get as an investor in China, and how much is that disappearing or eroding in this new environment..."

Uncertainty also is an issue in the United States where another debt-ceiling crisis appears to be looming. Jack Hough of *Barron's* explained:

"As rising partisan rancor has turned everyday legislating into a death struggle, politicians have grown more willing to use the debt ceiling as leverage. A standoff in 2011 resulted in a credit downgrade to the U.S. government, a brief but angry slide in stocks, and a temporary move higher for bond yields, which accountants later said cost the U.S. government billions of dollars in added interest. The outcome was a shaky compromise, which fell apart in 2013, but Congress hadn't yet regained its appetite for another round of fiscal chicken, so it suspended the ceiling. There have since been many extensions, the last of which expired at the end of July. The Treasury is now reaching under its couch cushions for funds. Without action from Congress, America will default by mid-October."

Last week, major U.S. stock indices finished lower, reported Ben Levisohn of *Barron's*. The yield on 10-year U.S. Treasuries moved higher.

Data as of 9/17/21	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 Index	-0.6%	18.0%	32.1%	15.3%	15.7%	13.9%
Dow Jones Global ex-U.S. Index	-1.5	7.5	22.5	7.6	7.5	5.1
10-year Treasury Note (yield only)	1.4	N/A	0.7	3.0	1.7	1.9
Gold (per ounce)	-2.2	-7.0	-9.3	13.5	6.0	-0.2
Bloomberg Commodity Index	0.5	25.0	34.8	5.9	3.1	-4.6

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

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## WHERE ARE YOU?

If you were virtually dropped into another country, do you think you would recognize where you were?

In 2013, Swedish information technology consultant Anton Wallén created a game around an internet company's street-view maps. Players are dropped into a street view within a country and must identify the location. The person who guesses correctly the most times, scores the most points and wins.<sup>8</sup>

The game also provides data about which parts of the world are most easily recognized. The Economist used information from the online geography quiz to build a 'recognizability index.' The index evaluates which places are most recognizable and who recognizes them most easily. The newspaper balanced correct guesses against incorrect guesses and determined:

- The most readily identifiable countries are Japan (64 percent correct guesses, 9 percent wrong guesses) and the United States (79 percent correct guesses, 40 percent wrong guesses), followed by Russia, Italy, Brazil and Britain.
- The most misidentified country was the United States. "...18% of players who reckoned they had been dropped in America were actually in Australia. Spain and Mexico were also frequently mixed up. Not all of the guesses made sense:

at least one person mistook Luxembourg for Mongolia."

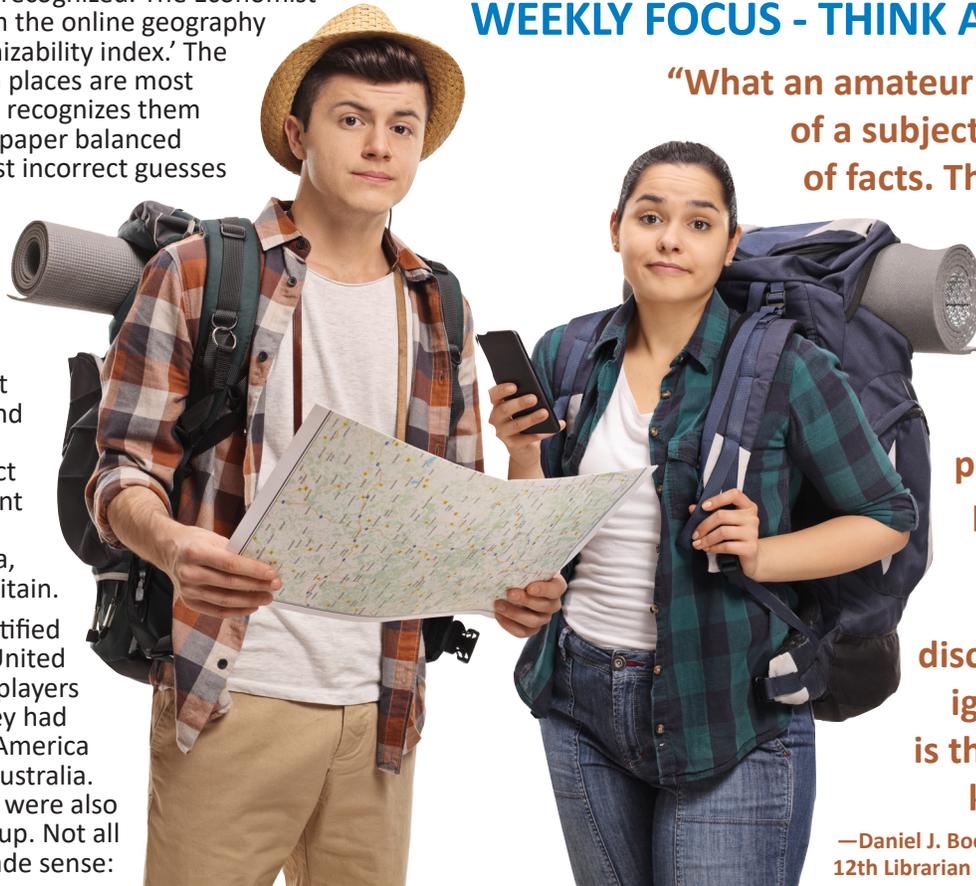
- The people who are best at identifying geographic locations live in Germany, Switzerland and France.
- The people who are worst at identifying geographic locations live in Turkey, Russia and America.

There is an important caveat that accompanies these findings. Not every country or street in the world is included the street-view maps used in the game. For example, coverage of Germany is limited because of privacy concerns and significant parts of China are missing.

## WEEKLY FOCUS - THINK ABOUT IT

**"What an amateur is, is a lover of a subject. I'm a lover of facts. The fact is the savior, as long as you don't jam it into some preconceived pattern. The greatest obstacle to discovery is not ignorance – it is the illusion of knowledge."**

—Daniel J. Boorstin, Historian and 12th Librarian of the U.S. Congress



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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 Education. 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 Educational Foundation, and the West Michigan Symphony Orchestra. Mike lives in Norton Shores with his wife and three children.

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