Horizon Wealth Management
Weekly Market 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	Y-T-D	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

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.

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.[8]

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

Best regards,

Chris Dumford, CFP®, AIF®
Larry Makatura, CFP®, AIF®

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.
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* 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.
* 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.
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