The Markets

Stocks rallied during August, fueled by an improving labor market, strong corporate earnings, and clarity on Fed tapering plans.

US Market Highlights		Global Market Highlights	
Consumer Confidence	↑	MSCI EAFE-International Stocks	↑
Jobs	↑	Emerging Markets	↑
Consumer Spending	↑	Oil	↑
GDP	↑	COVID Vaccine Progress	↑
Interest Rates	↑ ↓	Japan & China	↑ ↓
US Stock Market	↑	Inflation	↑

Here are the selected updated market stats:

Index	8/31/2021	12/31/2020	12/31/2019	12/31/2010	12/31/2000
DJIA	35,361	30,606	28,538	11,578	10,788
NASDAQ	15,259	12,888	8,973	2,653	2,292
S&P 500	4,523	3,756	3,231	1,258	1,320
MSCI EAFE	2,356	2,148	2,037	1,658	1,405
10 Yr UST Yield	1.30%	0.91%	1.77%	3.31%	5.11%

** Source: Yahoo Finance, MSCI.com

Summary

Signs of an improving labor market, strong corporate earnings, and more clarity from the Fed on its tapering plans propelled stocks to multiple record highs during August. Corporate profits in the second quarter were by all measures exceptional. With 98% of companies in the S&P 500 index reporting, 89% beat Wall Street consensus estimates by an average of 17.7%. The companies posted an earnings-per-share growth of nearly 92% over the second quarter of 2020.

The labor market also showed signs of improving health, providing evidence that the economic recovery remained intact. In August, jobless claims reached pandemic lows, while employers added 953,000 jobs in July, and job openings reached record levels.

The month was not without its worries. The global spread of the Delta variant resulted in flashes of investor anxiety that led to temporary pullbacks in stock prices. New COVID-19 cases in the U.S. rose throughout August, raising concerns that spreading infections could derail the economic recovery.

Sector Scorecard

GICS Sectors	Aug %	2021%
Financials	5.1%	31.5%
Communications	5.0%	30.2%
Utilities	4.0%	11.1%
Technology	3.6%	22.4%
REITs	2.9%	32.0%
Healthcare	2.4%	20.1%
Consumer Disc.	2.1%	13.2%
Basic Materials	1.9%	19.1%
Staples	1.4%	9.2%
Industrials	1.1%	18.8%
Energy	-2.0%	30.8%

For the second straight month, energy was the only industry sector under pressure losing 2%. Gaining sectors, led by financials and communications again produced a big gap between winners and losers.

The Fed

Near month end, Fed Chair Jerome Powell stated that the Fed might begin to pare back its monthly bond purchases before year-end. Powell's update followed multiple comments from regional Federal Reserve Bank presidents indicating their support for reducing bond purchasing. It's important to note that Powell said that tapering should not be seen as an indicator of future changes in interest rates.

Since the early days of the pandemic, Fed Chair Jerome Powell has maintained that accommodative monetary policies would remain unchanged until the economy recovered. He's been clear that the Fed would be very transparent in communicating monetary policy changes well ahead of implementing them to allow the capital markets sufficient time to digest any change.

Comments by a number of Federal Reserve Bank regional presidents last month may have heralded the beginning of a communication plan. First, the Federal Reserve Banks of Atlanta and Richmond made comments, suggesting that the time to begin tapering was nearing. This was followed days later by remarks from the Federal Reserve Banks of Dallas and Kansas City, indicating that the economy had progressed enough to commence tapering as early as October. Talk of tapering grew louder with the August 18th release of the FOMC (Federal Open Market Committee) meeting minutes, suggesting that the Fed may be ready to scale back its bond purchases before year-end. Finally, a speech by Fed Chair Jerome Powell near the end of the month confirmed that the Fed was getting closer to the start of tapering. Powell indicated that tapering could begin before year-end in his prepared comments, though he cautioned against connecting tapering with an interest rate hike.

World Markets

A strong U.S. equity market helped push international stocks higher as well. Highlights included strong gains in Europe with Germany, the U.K., and France all posting positive numbers. Elsewhere Japan was particularly strong, but China has not as governmental intervention has been seen by investors as a negative.

In Asia, COVID outbreaks resulted in the closing of some shipping ports. Vietnam partially halted manufacturing, and Japan extended its lockdown protocols. These actions raised concerns about their supply chain impact and what it may mean for inflation and economic growth.

What Investors May Be Talking About in September 2021

For many market observers, the Fed appears to be signaling that its September meeting may lead to changes in language and policy. The two-day meeting ends on September 22nd, and there is no doubt that investor eyes and ears will be trained upon it.

Another topic sure to dominate the news will be COVID-19 and the much-discussed delta variant. Two of our local schools have been closed for in-person learning due to infections within the students and teachers. What happens next is literally the multi-trillion $ question? Investors remain anxious as local, state, and federal entities weigh further restrictions.

I would take this time to remind you that the market performance since the outbreak of COVID has been historically good for us as investors. Those who exited markets during 2020 have been severely punished in the form of missed investment returns. I have no doubt that the news will contain negatives (statistics tell me that ~ 85% of news that we see on TV is in fact about bad news), but that does not mean that progress is non-existent. Advances in fields from finance to medicine, from manufacturing to energy production continue to innovate to our benefit. Smart investors know that negative news may affect the markets for a time, but that those times have always been followed by a recovery and future new market highs. Keeping our focus on the long-term while preparing with the short-term contingencies has always been important for investor success.