

August 24, 2021



Weekly Commentary



PRESIDENTIAL PAYOFF

Washington was a great man, but he's worth only a dollar at the bank. Lincoln will get you \$5 and Grant will get you \$50, but the real money is with some less famous presidents.

The \$100 bill is currently the largest denomination being printed and distributed, but there used to be much bigger bills. The Treasury stopped distributing them in 1969, but these dead presidents are still legal tender today if you get your hands on one.

William McKinley is on the \$500 bill.
Grover Cleveland is on the \$1,000 bill.
James Madison is on the \$5,000 bill.

They're all pikers, however, compared to President Woodrow Wilson. His face is on the

largest and most unusual denomination of U.S. money ever printed.

The \$100,000 bill.

These bills were printed in 1934 and 1935. They were not circulated among the public. In fact, they were illegal for individuals to own. Instead, they were used in gold transactions between Federal Reserve banks. They were discontinued after World War II.

It may not be possible to say which of the presidents was the best. But there's no doubt at all about who was the most valuable.

The \$100,000 bill was orange. All known pieces are in museums. Forty-two thousand of the bills were printed. If you had them all together, they would have a face value of \$4.2 billion.

George Washington has the dubious honor of appearing on the smallest-denomination currency ever issued by the U.S. government: the three-cent note, which first came out in 1864. Notes smaller than \$1 were issued between 1862 and 1876. They're known as "fractional currency."

The Greatest Presidential Stories Never Told by Rick Beyer

Weekly Market Commentary August 23, 2021

The Markets

Markets were shaken last week by a potent cocktail of central bank tapering and economic growth concerns mixed with coronavirus and a splash of the new Chinese privacy law.

On Wednesday, the minutes of the United States Federal Reserve's Open Market Committee Meeting were released. They confirmed the Fed could begin tapering – buying fewer Treasury and U.S. government agency bonds – sooner rather than later, reported Jack Denton and Jacob Sonenshine of *Barron's*. While that wasn't new information, investors startled like cats surprised by cucumbers, triggering a broad sell-off.

In the United States, economic data was mixed. The U.S. Census reported that retail sales declined in July, suggesting weakening consumer demand. Normally, that's not great news because consumer demand drives U.S. economic growth. However, with inflation at the highest level in more than a decade, lower demand could help relieve upward price pressure.

Lower consumer demand was accompanied by improving supply. Lisa Beilfuss of *Barron's* reported, "...business inventories rose in June at the fastest clip since October as wholesalers and manufacturers posted solid increases and retailers saw inventories rise for the first time in three months. From a year earlier, inventories across American businesses rose 6.6%, compared with a 4.6% pace a month earlier."

Of course, we could see supply bottlenecks again if a COVID-19 surge results in new lockdowns and continued worker shortages.

Finally, on Friday, Chinese stocks dropped sharply after Beijing announced that a new strict data-privacy law will take effect on November 1, 2021. Investors remain concerned that China's regulatory tightening will affect other market sectors,

including fintech, gaming and education, reported Hudson Lockett of the *Financial Times*.

“American investors’ shock at an ongoing regulatory crackdown in China points to a fundamental difference between the two countries,” reported Evelyn Cheng of CNBC. “...whereas the U.S. system is designed to let corporations influence the government, China’s system is designed to bring corporations in line with government goals.”

Major U.S. stock indices finished the week lower. The yield on 10-year U.S. Treasuries finished the week where it started.

Data as of 8/20/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.6%	18.3%	31.2%	15.8%	15.3%	14.7%
Dow Jones Global ex-U.S.	-3.5	4.4	20.8	6.4	6.6	4.6
10-year Treasury Note (Yield Only)	1.3	NA	0.6	2.8	1.5	2.1
Gold (per ounce)	0.3	-5.8	-7.7	14.5	5.9	-0.5
Bloomberg Commodity Index	-4.2	16.8	27.0	3.0	1.3	-5.5

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.

PICKING THE RIGHT PLACE TO LIVE...The COVID-19 pandemic caused many people to reconsider how and where they want to live. People relocate for a variety of reasons. They may want to be closer to family and friends, live in a more affordable place with lower taxes or have better employment opportunities.

Another reason people relocate is climate. While many people move to regions with better climates, today they also are avoiding areas with high climate risk, reported a 2021 survey from RedFin.

“About half of respondents who plan to move in the next year said extreme temperatures and/or the increasing frequency or intensity of natural disasters played a role in their decision to relocate. More than a third (36%) said rising sea levels were a factor.”

Those who planned to move and lived in the northeastern and southern U.S. were most concerned about the frequency and intensity of natural disasters, while those in the West were most concerned about extreme temperatures. The two factors tied for most serious concern in the Midwest.

The importance of climate change to relocation decisions varied by age. People age 55 and older were less likely to factor climate risk into relocation decisions, while younger respondents, especially 35- to 44-year-olds, prioritized climate risk issues.

When all respondents, regardless of whether they intended to move, were asked whether natural disasters, extreme temperatures or rising sea levels would affect their decision to buy a home, the majority said they would hesitate to buy homes in areas with these issues (79%, 75% and 76% respectively).

Home buyers aren’t the only ones thinking about climate risks. A real estate developer told Swapna Venugopal Ramaswamy of *USA Today*, “...real estate investors such as banks and insurance companies used climate risk data to inform their investing decisions.”

It seems that climate risk is becoming a factor in personal and business investment decisions.

Best Regards,



Sources:

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<https://www.blackrock.com/ch/individual/en/larry-fink-ceo-letter>

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- * 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.
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