

August 10, 2021



Weekly Commentary



GADZOOKS!

Sergeant Bob Burns was a championship rifleman in the Marine Corps during World War I. But as good a marksman as he was, he was a better musician. Burns organized a Marine Corps Jazz Band that was a favorite of General John Pershing and played to troops across Europe.

Burns was especially well known for playing an instrument that he invented himself. It was made out of two pieces of gas pipe and a whiskey funnel. It was sort of a combination of a trombone and a slide whistle, and it became Burns's trademark. He even coined a funny name for it.

After the First World War, Burns became a radio entertainer and a movie star. He was known around the country as the "Arkansas Traveler," casting himself as a homespun rube telling tales of the Ozarks. But the cornerstone of his success was that wacky instrument of his. In the late 1930s and early 1940s, at the height of his popularity, thousands of toy versions were manufactured and sold to kids across America.

Burns's instrument is forgotten today, but the name he dreamed up for it lives on-with a very different meaning.

In the early days of World War II, the army was testing a new shoulder-mounted antitank gun called the M1A1 at the Aberdeen Proving Ground. The soldiers trying it out thought that it bore a remarkable resemblance to the odd contraption Burns had made famous. And so it got the nickname by which it is still remembered.

The bazooka.

Burns's bazooka sounded like a low-toned saxophone with a range of about six notes. Burns was equally adept at playing the instrument for laughs or turning in virtuoso jazz performances with it.

The United States manufactured nearly half a million bazookas during World War II, along with 15 million of the antitank rockets it fired. The bazooka was so successful at stopping enemy tanks that the Germans copied it outright. They did, however, give it another name, calling it the Panzerschreck, or "tank terror."

The Greatest Music Stories Never Told by Rick Beyer

Weekly Market Commentary August 9, 2021

The Markets

Are we there yet?

For months, investors have wondered when the Federal Reserve (Fed) might begin to "normalize" its policies, a process that will eventually lead to higher interest rates. Last week, a better-than-expected unemployment report – showing a gain of almost a million jobs – sparked speculation about whether we've arrived at that point. It's difficult to know.

When the pandemic arrived, the Fed adopted policies that stimulated growth. It cut short-term interest rates to zero and began buying Treasuries and agency mortgage-backed securities to keep long-term rates low, too. Low rates make borrowing less expensive for businesses and individuals, reported the Brookings Institute. That's important in economically challenging times.

In late July, the Fed said it would continue to keep rates low and buy bonds until it saw "substantial further progress toward maximum employment and price stability [inflation] goals."

The Fed may have already achieved its inflation goal. Its favorite inflation gauge is called Personal Consumption Expenditures (PCE), excluding food and energy. It's a statistic that reflects changes in how much Americans are paying for goods and services. In June, the Bureau of Economic Analysis reported that PCE was up 3.5 percent year over year. That's well above the Fed's two percent inflation target; however, the Fed's new policy is to overshoot its target before raising rates.

If July's employment numbers satisfy the Fed's expectations for progress on jobs, the Fed may begin the process of normalizing monetary policy. The first step would be purchasing fewer bonds, a practice known as tapering. "Many market watchers are looking for [Fed Chair] Powell to discuss tapering at the central bank's big policy meeting at Jackson Hole, Wyo., this month," reported Randall Forsyth of *Barron's*.

Major U.S. stock indices finished the week higher, reported *Barron's*, and so did the yield on 10-year U.S. Treasuries.

Data as of 8/6/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.9%	18.1%	32.5%	15.9%	15.3%	14.8%
Dow Jones Global ex-U.S.	1.0	7.4	24.7	6.7	7.6	4.8
10-year Treasury Note (Yield Only)	1.3	NA	0.5	2.9	1.6	2.3
Gold (per ounce)	-3.4	-6.6	-14.7	13.4	5.7	0.4
Bloomberg Commodity Index	-1.7	21.3	32.7	3.6	2.4	-4.8

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.

WHAT'S MAKING US MORE PRODUCTIVE? While the United States has not yet recovered all of the jobs lost during the pandemic – 22 million were lost and 16.6 million have returned – productivity is higher than it was when more people were employed.⁸ *The Economist* reported:

“Though output reached a new high in the second quarter, employment remained more than 4 percent below its pre-pandemic level... . At present, America is producing more output than it managed just a year and a half ago, with roughly 6 [million] fewer workers.”

Higher productivity undoubtedly reflects the ingenuity of American businesses. The pandemic forced companies to find ways to remain productive. In response, many adopted new technologies, implemented new patterns for working, and changed their business models.

However, not all companies have experienced gains in productivity, reported Eric Garton and Michael Mankins in the *Harvard Business Review*. Those that proved to be the best at managing time, talent and energy – the top 25 percent of companies – were 40 percent more productive than other companies. (The productivity of companies in the lower quartiles was averaged to make the comparison.)

Not all sectors of the economy are equally productive, either. “The surge in output per worker also reflects the changing mix of the workforce. Employment in the leisure and hospitality industries, where productivity tends to be low, remains about 10 percent below the pre-pandemic level, compared to a 3 percent shortfall in the higher-productivity manufacturing sector,” reported *The Economist*. As less productive sectors recover, productivity may return to previous levels.

In the meantime, some employees have been wondering whether it’s necessary to return to the workplace when productivity has been high while they’ve been working remotely. In an early July survey conducted by The Conference Board, a majority (56 percent) of employees asked whether returning to the workplace was wise, but just 18 percent of chief executive officers shared the concern.

Weekly Focus – Think About It

“Whenever you are asked if you can do a job, tell 'em, 'Certainly I can!' Then get busy and find out how to do it.”

—Theodore Roosevelt, 26th president of the United States

Best Regards,



Brian Everett

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* 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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* 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.
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