Market Commentary

For the week of August 24th, 2021

The Markets

Returns Through 8/20/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-1.01	16.13	29.10	13.39	16.23
NASDAQ Composite (PR)	-0.70	14.67	31.54	24.60	24.18
S&P 500 (TR)	-0.55	19.36	33.20	17.98	17.46
Barclays US Agg Bond (TR)	0.16	-0.65	-0.27	5.40	3.15
MSCI EAFE (TR)	-2.95	9.21	25.09	8.68	9.08

Observations

- U.S. equities moved lower this week as indicated by the S&P 500 which was down -0.55% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index decreased -2.47% on the week.
- International stocks as measured by the MSCI EAFE were negative on the week, down -2.95%, underperforming domestic stocks.
- Emerging market stocks were negative on the week with the MSCI EM index down -4.62%.
- U.S. investment grade bonds were positive last week with the Bloomberg Barclays U.S. Aggregate Bond index up +0.16%.

Data Obtained from Bloomberg as of 8/20/2021

Economic Review

• Retail Sales decreased -1.1% in July, missing economists' expectations of -0.3%.
• Building Permits rose by 1.635 million in July, beating economists' expectations of 1.610 million.
• Housing Starts missed the mark in July, increasing by 1.534 million, below the survey estimate of 1.60 million.

INSIGHT: While the Covid-19 resurgence and rising inflation continues to weigh on the consumer, we remain optimistic on spending despite the month-over-month decline in retail sales. Even with July's decrease, sales are still above levels seen before the pandemic shut down the economy, up 17.2% above the pre-pandemic peak in January 2020. Similarly, people continue to change their spending habits, spending on services rather than goods. Sales at restaurants and bars, the only services-spending category in the retail report, rose 1.7%, the fifth straight month of increases. Similarly, the personal savings rate sits at 9.2%, still above pre-pandemic levels and as the economy continues to reopen, we believe this will provide consumers more opportunities for discretionary spending. Outside of spending, we received housing market data. Demand in the housing market is still strong as represented by a 2.5% increase in permits for the construction of new homes, however, limited availability of land, labor and materials are holding builders back from actually building these new homes.

A Look Forward

• Existing Home Sales will be released on Monday, with expectations of a month-over-month decrease for the month of July of -0.5%.
• The second reading of Q2 Gross Domestic Product (GDP) will be announced on Thursday and economists expect a revision upward to 6.7% from 6.5%.
• Personal Income and Spending will be released on Friday, economists expect income to increase +0.2% and spending to increase +0.4% for the month of July.
• Personal Consumption expenditure (PCE) will also be released on Friday, economists expect a month-overmonth increase of +0.4% and a year-over- year increase of +4.1%.

INSIGHT: In the housing market, low inventory continues to put pressure on prices. According to the Saint Louis Federal Reserve, the mean home price in the United States is now $374,000, the highest on record. This can be attributed to the Fed keeping short-term interest rates near zero, coupled with their monthly purchasing of $40 billion in mortgage-backed securities allowing buyers to also lock in low long term mortgage rates. However, as a result of rising prices, first time buyers may be forced out of the market, which is why we could see a decrease in existing home sales. The second reading of GDP for the second quarter is expected to show continued strength in economic activity. As the impact of stimulus payments continue to wane, we would expect personal income and savings to trend downward. Lastly, COVID related disruptions to supply chains may prop up PCE, the Federal Reserves preferred reading of inflation.

BY THE NUMBERS

MONTHLY BENEFIT – 54 million Americans receive monthly Social Security retirement benefits, including retired workers, dependents of retired workers, and survivors of deceased workers. 42 million Americans receive monthly assistance from the Supplemental Nutrition Assistance Program (SNAP), aka “food stamps” (source: SNAP).

SKIP THE PUMP – There are 43,600 electric vehicle (EV) charging stations in the USA. The $1.2 trillion infrastructure bill passed by the Senate allocates $7.5 billion for additional charging stations (source: DOE).

NEED A LOT OF RAIN – The government announced on 8/16/21 reductions to the allocation of water taken from Lake Mead (beginning in January 2022) for the states of Arizona and Nevada, along with cutbacks to Mexico. Arizona’s decrease is equal to 18% of what they currently receive from Lake Mead or 8% of the state’s total water usage. California will not see any water reduction at this time (source: Bureau of Reclamation).

JUST SPEND THE MONEY – The Treasury Department distributed $15 billion in July 2021 and has distributed another $15 billion this month (through Friday 8/13/21) per the expanded Child Tax Credit (CTC) that was part of the “American Rescue Plan Act” that was signed into law by President Joe Biden on 3/11/21. The payments are currently scheduled to continue through the end of 2021 (source: American Rescue Plan Act).

Mark Temperato, CLU, ChFC, RICP
Wealth Management Advisor/Partner
580 Fishers Station Rd. Victor, NY 14564
Office: 585-466-3275
Cell: 585-356-9658
MTemperato@DashCapitalAdvisors.com

DASH CAPITAL ADVISORS

Matt Piaseczny, ChFC, RICP
Wealth Management Advisor/Partner
580 Fishers Station Rd. Victor, NY 14564
Office: 585-466-3270
Cell: 585-451-4028
MPiaseczny@DashCapitalAdvisors.com