CORDINGLEY & PARKINSON
WEALTH MANAGEMENT

Weekly Market Commentary
March 1, 2021

The Markets

Students of financial markets may have noted a historically unusual event last week.

On Thursday, the yield on 10-year U.S. Treasury notes briefly matched the dividend yield for the Standard & Poor's (S&P) 500 Index. This type of convergence is uncommon. In normal times, the yield on 10-year Treasuries tends to be higher than the dividend yield of the S&P 500. Felix Salmon of *Axios* explained:

> "The 10-year Treasury note is a risk-free asset: If you hold it for 10 years, you know exactly how much it's going to return…The S&P 500 dividend yield is normally lower than the risk-free rate. Investors earn less in dividends than [they] would holding the same amount of money in Treasury bonds, but they hope that rising stock prices will make up the difference."

These, however, are not normal times.

Throughout much of 2020, the S&P 500 Index offered investors a return comparable to, or higher than, 10-year Treasuries. Low Treasury yields reflected the Federal Reserve's highly accommodative monetary policy, which kept the fed funds rate near zero to support the economy through the pandemic. Since August 2020, however, the yield on 10-year T-notes has been creeping higher despite the Fed's actions. Last week, it closed at 1.46 percent.

Rising yields appeared to concern investors last week. Ben Levisohn of *Barron's* reported:

> "Usually, we can point to a big event or a piece of economic data that shook up the market, but that wasn't the case this time. The data were solid, with weekly jobless claims dropping more than expected, durable-goods orders rising more than forecast, and personal income getting a big boost from stimulus checks sent out in January…But there was the 10-year Treasury yield."

Rising Treasury yields suggest bond investors think the economy is likely to strengthen and pent-up consumer demand could spark spending on shopping, dining, and social events. A spending spree could lead to higher inflation, reported Elliot Smith of *CNBC*. Rising yields also could signal weak demand for U.S. Treasuries, according to Levisohn.

Last week, major U.S. stock indices finished lower.

Data as of 2/26/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.5%	1.5%	22.3%	11.1%	14.4%	11.1%
Dow Jones Global ex-U.S.	-3.9	2.2	19.0	2.7	8.8	2.6
10-year Treasury Note (Yield Only)	1.5	NA	1.3	2.9	1.8	3.4
Gold (per ounce)	-2.4	-7.8	6.6	9.3	7.3	2.1
Bloomberg Commodity Index	0.0	9.3	15.8	-1.4	2.5	-6.4

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, 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.

AND THE MOST EXPENSIVE CITIES IN THE WORLD ARE… Every year, *The Economist Intelligence Unit (EIU)* reports on the worldwide cost of living by surveying the cost of 138 goods and services in major cities around the world.

As of September 2020, prices were up just 0.3 percent, year-to-year. The cost of consumer staples remained fairly steady, overall. However, the prices for recreation (which includes personal electronics), personal care, tobacco, alcohol, and domestic help, increased. The report stated:

> "Amid the pandemic, price-conscious consumers have also opted for cheaper products in many countries, increasing price competition for less-expensive goods…On the other hand, high-earning consumers have been comparatively unaffected by the pandemic. While they are likely to shop less, prices of premium products have remained resilient. Supply-chain problems have also had differing impacts on different goods, pushing up the price of high-demand products such as computers in some cities."

Regionally, prices fell in Latin America, North America, Eastern Europe, and Africa. They increased in the Middle East, Asia, and Western Europe. The *EIU's World Cost of Living Index* found, during 2020, the most expensive cities in the world were:

- Paris, France
- Hong Kong, China
- Zurich, Switzerland
- Singapore, Malaysia
- Osaka, Japan
- Tel Aviv, Israel
- New York, United States
- Geneva, Switzerland
- Los Angeles, United States
- Copenhagen, Denmark

The least expensive were:

- Damascus, Syria
- Tashkent, Uzbekistan
- Almaty, Kazakhstan
- Buenos Aires, Argentina
- Karachi, Pakistan
- Caracas, Venezuela
- Lusaka, Zambia
- Chennai, India
- Bangalore, India
- New Delhi, India

Weekly Focus – Think About It

"The wish to travel seems to me characteristically human: the desire to move, to satisfy your curiosity or ease your fears, to change the circumstances of your life, to be a stranger, to make a friend, to experience an exotic landscape, to risk the unknown."

--Paul Theroux, Travel writer and novelist

Best Regards,

W. Kay Cordingley
Robert Parkinson
234 East 1st North
Rexburg, ID 83440

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 e-mail with their e-mail address and we will ask for their permission to be added.

Securities offered through LPL Financial Member FINRA/SIPC.

* These views are those of Carson Coaching, and not the presenting Representative, the Representative's Broker/Dealer, or Registered Investment Advisor, and should not be construed as investment advice.
* This newsletter was prepared by Carson Coaching. Carson Coaching is not affiliated with the named firm or broker/dealer.
* 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.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* 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 afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* 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.
* To unsubscribe from the Wealth Management Update please click here or write us at our address listed above.

Sources:

https://finance.yahoo.com/quote/%5ETNX/history?p=%5ETNX
https://www.axios.com/treasury-yield-sp-convergence-efc3ee98-279a-4713-960d-7e52216deed1.html
https://www.wsj.com/articles/jerome-powell-sees-easy-money-policies-staying-in-place-11614092400?mod=searchresults_pos1&page=1&mod=article_inline (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2021/03-01-21_WSJ-Jerome_Powell_Sees_Easy-Money_Policies_Staying_in_Place-Footnote-3.pdf)
https://www.multpl.com/s-p-500-dividend-yield/table/by-month (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2021/03-01-21_Multpl-S_and_P_500_Dividend_Yield_by_Month-Footnote_4.pdf)
https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/TextView.aspx?data=yieldYear&year=2020
https://www.barrons.com/articles/the-stock-markets-rally-could-be-nearing-an-end-how-we-know-51614386520?refsec=the-trader (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2021/03-01-21_Barrons-This_Data_Point_Signals_the_Rally_Could_be_Nearing_an_End-Footnote_6.pdf)
https://www.cnbc.com/2021/02/26/bank-of-englands-haldane-warns-on-inflation-bond-yields-move-higher.html
https://www.eiu.com/n/campaigns/worldwide-cost-of-living-2020 (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2021/03-01-21_TheEconomist-How_is_COVID-19_Affecting_the_Prices_of_Consumer_Goods-Footnote_8.pdf)
https://www.economist.com/graphic-detail/2020/11/18/where-are-the-worlds-most-expensive-cities (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2021/03-01-21_TheEconomist-Where_are_the_Worlds_Most_Expensive_Cities-Footnote_9.pdf)
https://en.wikipedia.org/wiki/List_of_cheapest_cities
https://www.goodreads.com/author/quotes/9599.Paul_Theroux