Weekly Market Commentary
June 21st, 2021

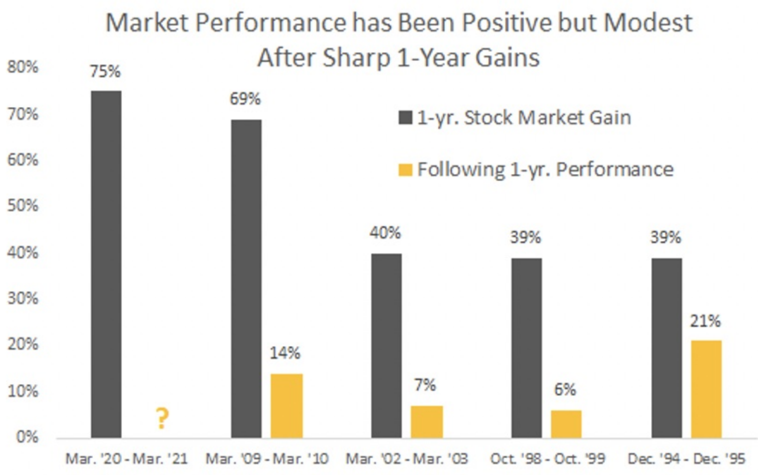
STOP IT! PATIENCE! Don't Fear a Boring Market!

The stock market has been treading water lately, finishing last week nearly flat since April, with modest oscillations along the way. It's not for a lack of data to chew on, however. Last week, the latest Federal Reserve meeting was squarely in the spotlight as investors analyzed the central bank's commentary and its updated expectations for future shifts in monetary-policy stimulus. This meeting was particularly noteworthy since it came on the heels of the most recent inflation reading, which showed that core consumer prices are rising at their fastest clip in 20 years. The Fed raised its inflation expectations and revealed a slightly (emphasis on slightly) more hawkish tilt toward 2023 rate hikes.

Fed stimulus has been a powerful fuel source for the bull market. Rising inflation is the exhaust produced by our speeding economy, and given the Fed's mandate to control inflation, shifts in central-bank policy will likely present speed bumps as we advance. And yet, markets aren't throwing off any sparks in the form of excessive volatility. What does that signal about the road ahead? Given the prolific gains since March 2020, the small gyrations and largely sideways move of late might feel a bit dull, if not ominous. But investors shouldn't fear a boring market.

The market is catching its breath, not running out of energy.

- If you only skimmed the headlines last week, you were likely left with a sense that the market has hit a rough patch, triggered by a shift in the Fed's policy outlook. Stocks did post a losing week, but it appears investors' definition of volatility and pullbacks has been distorted by the tranquility of the past few months.
- For starters, coming into the week, it had been a month since the S&P 500 saw a 1% daily move, with the last 1% down day coming in early May. Over the last two months, nearly 40% of all trading days have seen the stock market move by less than one-fifth of a percent in either direction, reflecting a very calm environment. Market volatility picked up a bit in reaction to the Fed announcement, and we expect market swings to pick up as we advance. Higher volatility should be viewed more as a norm, not the exception.
- Moreover, it should not be lost that the market is less than 2% from the all-time high. We haven't experienced a 5% pullback in eight months. For perspective, the market has historically averaged three 5% dips per year.
- The market has moved by less than 0.5% in June, the second consecutive monthly move under 1%. The last time the market had back-to-back sub-1% monthly swings was early-2017. Over the following 12 months, volatility picked up, with an average monthly swing of more than 2%, but the total return over that period was still a solid 12.8%.
- Beginning in late March of 2020, equities spent a year pricing in expectations for a rebound in economic activity and corporate profits. The result was one of the most prolific rallies on record, with the S&P 500 rising 75% in a 12-month span. Those expectations are now reality, as the economy is growing at the fastest rate in the post-war era and corporate earnings are poised to increase by more than 30% this year.
- To that end, this recent period of consolidation is indicative of a market growing into its optimistic valuations. This shouldn’t mean further upside is exhausted, but with the tailwinds of a strong economy producing the self-restraining factors of inflation and less Fed stimulus, investors should expect more moderate returns and more bumps ahead.



Source: Bloomberg, S&P 500 Price Return. Past performance does not guarantee future results.

This chart depicts that sharp stock market gains are generally followed by more modest, but still positive returns in the following year.

Source: oXYGen & Jones

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	33,290	-3.45%
S&P 500 Index	4,166	-1.91%
NASDAQ	14,030	-.28%
MSCI EAFE	2,350	-.63%
10-yr Treasury Yield	1.51%	4.14%
Gold	$1,774	-5.49%
Bonds	$115.30	.06%

Source: Wall Street Journal

Should You Return to the Office? Do You Have a Choice? Here Are a Few Ideas That May Help You Decide Whether to Return...

American workers are heading back to the office. Nearly half of employers expect to reopen their workplaces during the third quarter of 2021, and an additional 25% hope to do so by the end of the year, according to a recent Gartner survey of 258 HR leaders.

For some, the return to normalcy is cause for celebration. But if you're feeling anxious about a return to the workplace, you're not alone. A Robert Half study found that 1 in 3 professionals currently working from home said they would quit if forced to return to the office full time. Of course, quitting a job is a luxury few workers can afford these days. That's especially true for older workers, who often struggle to find decent-paying jobs later in life.

Given a choice, how do you decide which type of return-to-work arrangement is best?

There are many issues to consider: Will you feel marginalized if your colleagues decide to return to the office and you don't? What happens if your manager wants you back in the office four days a week, but you want to continue to work from home three days a week? Is there room for compromise?

It will vary. With some employers, there won't be a choice and your only choice will be whether or not to quit. But others might ask for your input on things like which days you get to work from home or whether you want to be in the first phase of employees returning to the office.

This is the most important, but often overlooked, part of the process. You need to gain clarity about what you're deciding.

Is it whether or not you should return to the workplace at all? Or, if you've been given the option of working from home part of the time, is it about how many, or which, days you get to work virtually? Will this be a short-term or long-term decision?

Once you take a step back and really understand what you're deciding — and what's most important to you — it becomes easier to see alternative solutions.

Many employees want to continue to work from home. At the same time, they worry that they'll be marginalized or could even lose their jobs if they insist on it. How can they reconcile these competing priorities?

Here again, it's helpful to put pen to paper. Think about all the criteria that are impacting your decision. If you're worried about job security, that issue will be at the top of your list. But there are other criteria that you might want to consider as well. For example:

- Health and safety measures. What has your employer done to ensure your safety? Have they installed new ventilation systems or air purifiers? Have they spaced out desks or installed partitions?
- Work relationships. If the majority of your colleagues return to the office, are you concerned that you'll be left out of key decisions or overlooked when it's time for promotions?
- Personal communication style. Do you feel like your rapport with your colleagues has been compromised by working remotely? Or have you been able to maintain productive and collegial working relationships?
- Flexibility. How much do you value the flexibility of a work-from-home arrangement? Is it a nice-to-have or a must-have? Will a hybrid model give you the flexibility you need, and if so, how many days or hours working from home would be optimal?

Then, think about which criteria are most important and assign a value to each one (using a 5 or 10 is often easiest). For example, you might assign flexibility a '5' after determining it's more of a nice-to-have, than a must-have. But if you're most concerned about hanging on to your job, you might assign a '10' to job security.

After you've ranked the criteria, it becomes easier to evaluate the cost opportunity of different scenarios. For instance, if you work from home just one day a week, it could give you at least some flexibility, while minimizing the chances of upsetting your manager.

Once you're clear on what you want, how can you ensure a productive conversation with your employer?
Write down a script beforehand. It will help to organize your thoughts.

Express empathy towards your employer's needs. Why does the organization want to bring workers back together? They might want consistency. Or they might worry that the company culture is eroding because everyone is working from home. By acknowledging their needs, you'll set the right tone and show you're a team player.

Be patient. If you can, try waiting for a few months to see how things go before asking for accommodations. Employers have put so much time into designing their policies, most are probably going to want to give their plans a try before they are willing to entertain exceptions.

(source: Wall Street Journal)

Market News, Corporate Earnings, and News & Notes

(source: CNBC)

With Car Prices Surging, Your Care is a Prime Target for Thieves

You can blame the Covid pandemic for yet another thing: a surge in auto thefts.

Vehicle thefts in the United States jumped 9% last year from a year earlier to 873,000, the highest number in more than a decade, according to statistics from the National Insurance Crime Bureau provided to CNBC's "American Greed." The pandemic created a "perfect storm" of conditions for auto thefts to increase, said NICB President and CEO David Glawe.

"We have a lot of disenfranchised youth that are unemployed, and outreach programs are shut down or limited due to Covid," he said. "There is frustration and anger in society. We are also seeing public safety resource limitations and withdrawal of proactive policing due to budget constraints."

Vehicles are also especially valuable these days. Because of tight supply and heavy post-pandemic demand, used car prices are up nearly 30% from a year ago.

The increase in thefts began slowly, coinciding with the start of the pandemic in March 2020. They accelerated by last June as the first wave of Covid lockdowns subsided and a second wave loomed. By November, monthly thefts were running 18% ahead of 2019.

How can you thwart the thieves?

Here are some tips, several of which are common sense:

- Take your keys out of the ignition when you park the vehicle, or if your car has a remote key fob, keep it with you even if you are just exiting your vehicle briefly.
- Lock your doors and windows, and park in a well-lighted area.
- Don't leave valuables or anything else that might draw thieves' interest inside your car. That includes your garage door opener.
- Consider keeping a picture of your vehicle registration on your phone rather than leaving the actual document in your glove compartment.
- Think about installing a car alarm as well as a kill switch that can immobilize a stolen vehicle.
- Consider getting a GPS tracker that can help authorities find your vehicle.

You may not own a six-figure Italian sports car, but just about anything you drive is a hot commodity these days.

Source: (CNBC)

Earnings Highlights This Week

- Kroger- Kroger forecast 2021 adjusted profit per share between $2.95 and $3.10, compared with its prior range of $2.75 to $2.95. It expects 2021 adjusted same-store sales to fall up to 4%, while it had earlier projected a decline of up to 5%. First-quarter digital sales jumped 16% at Kroger, even as Amazon.com and big-box rivals Walmart and Target doubled down on grocery. The company's focus on private labels, use of robots to more quickly stock and dispatch goods through a partnership with Ocado and tie-ups with third parties for deliveries are expected to help Kroger sustain a rapid online sales growth seen since 2019.

- Ford-Ford said its adjusted pretax earnings for the second quarter will "surpass its expectations" and be significantly better than a year ago. The company said net income for the second quarter is expected to be substantially lower than a year earlier due to gains from an investment in self-driving firm Argo AI. In April, Ford forecasted its full year adjusted pretax profit to be between $5.5 billion and $6.5 billion.

- GM- General Motors expects the ongoing semiconductor chip shortage and rising inflation to increase its expenses during the second half of the year by up to $3 billion. The increased costs include a greater-than-expected impact from the parts shortage during the third quarter as well as rising inflation costs of between $1.5 billion and $2 billion. For the year, GM has said it expects pretax profits "at the higher end" of a $10 billion to $11 billion range.

- Oracle- Oracle called for less earnings guidance than analysts had expected as the company plans investments in cloud computing. For the quarter, though, Oracle beat on the top and bottom lines. Barclay's analysts lowered their rating on the stock last month after it saw gains with investors shifting from growth to value.

News and Notes:

What Money Lessons Did You Learn From Dad?

- **Teach your children to start saving money early?**
  - They learn important principles about how their money grows but let them also make some mistakes.
    - Investing: Apps like *Robinhood* and *Acorns* are great places to get started investing
    - Allowances: BusyKid allows you to assign out chores and pay allowance when they are done.
  - We are big fans of the kids 'earning' money vs. 'giving' them money- teaches the value of a dollar.

- **A big bank account/paycheck can't buy big happiness?**
  - You should always be using the acid test for new purchases

- Do I want it?
- Do I need it?
- Can I afford it?

- Will you remember the things you own or the things you did down the road? (buying stuff vs. experiences)
- It's really important to set financial goals so you know WHY you are working for your money .

- **The best investment is in yourself?**
  - What's a bigger asset…your house, your 401(k), or all of the income you will earn over your lifetime?
  - It's important you continue to invest in your skills, education, and competencies to grow your income.
  - Do everything you can do to save 1/3 rd of every raise you get to not fall into the lifestyle inflation trap.

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