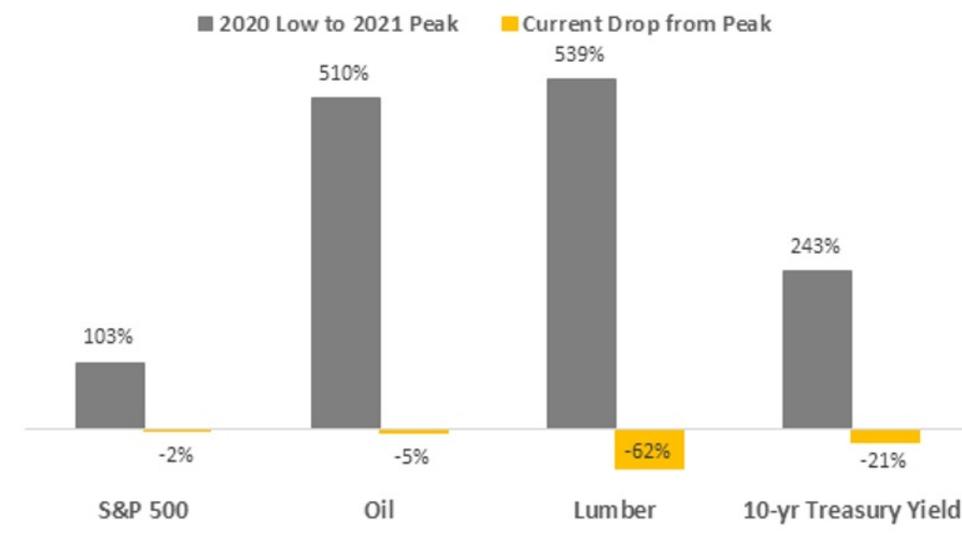


Weekly Market Commentary September 20th, 2021

Is Bob Barker Hosting The Price Is Right For The Stock Market?

Prices for almost everything has been on the rise, from consumer goods to commodities to houses to stocks. Last week's release of the latest Consumer Price Index (CPI) report showed that inflation may be simmering from a boil. Meanwhile, the stock market has paused to catch its breath as well. Does this signal a new direction for prices?

Market Prices Have Pulled Back from Recent Highs



Source: Bloomberg, Edward Jones. Oil price change excludes temporary 2020 drop into negative territory. Treasury yield measured by % change in the yield of 10-year U.S. Treasury bonds. The S&P 500 index is unmanaged and cannot be invested indirectly.

This chart shows the drastic jump in prices following the 2020 market low of oil and lumber, followed by a size-able drop since their peaks.

Consumer prices: Inflation is dropping back, but not immediately and not all the way

- Last week's release of the latest CPI report showed that inflation moderated again in August, which can be attributed in part to the passing of the base effects (moving past the year-over-year comparisons to the depths of the crisis) as well as some progress in supply-demand mismatches.
- Core inflation, while still quite high, eased to 4% last month, down from 4.5% in June. This is a welcome sign for the markets, as it's consistent with the Fed's stance that the surge in consumer prices will be transitory, allowing monetary-policy settings to remain accommodative.

- Peaking inflation rates should take some pressure off of the Fed, allowing monetary stimulus to be withdrawn at a gradual pace, starting with the expectation for reduced bond purchases starting later this year. Looking at prior economic cycles since 1990, as inflation rates peaked in the recovery, the following year saw solid stock market gains along with modest moves in interest rates.

Housing prices: From red hot to warm; broader outlook is favorable

- U.S. housing prices have risen by nearly 20% over the past year as demand has outstripped supply. The pandemic has spurred new buying trends and preferences (suburban migration, remote workspace, etc.) which, coupled with the robust economic rebound and broadly healthy consumer financial conditions, indicate that the housing market should enjoy ongoing support. The household debt-service ratio (debt costs as a percentage of disposable income) stands close to record lows near 8%, indicating that consumers have sufficient credit capacity to support ongoing home purchases.
- Supply will begin to catch up, helping soften skyrocketing home-price increases. Housing starts are up 13% in 2021 versus 2020, with more room to rise to meet the surge in demand. Higher home values and increased construction have lifted housing inventory recently, but the number of homes listed for sale is currently 46% below the average level over the last 20 years.

Stock prices: A choppy road higher

- In the last three decades, there have been two years (1995, 2017) in which the market didn't experience even a 5% pullback. With the largest drawdown, (this year is currently at 4%), it's not out of the question that 2021 could join that list. However, the remainder of this year will bring more volatility and temporary weakness than we've experienced so far in the past 8 months. Since 1991, there have been 13 years in which the market did not see a 10% correction. The average gain in the following calendar year was 10.4%, indicating that periods of moderate volatility and drawdowns don't foretell a coming downturn.

(Source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	34,585	-.06%
S&P 500 Index	4,443	-.56%
NASDAQ	15,044	-.47%
MSCI EAFE	2,366	-.34%
10-yr Treasury Yield	1.37%	3.01%
Gold	\$1,755	-2.01%
Bonds	\$115.86	-.01%

Source: Reuters/Wall Street Journal

5 Money Questions To Ask Your Parents

You might want to open this conversation by saying, “Mom (and/or) Dad, when the news came up about Aretha Franklin or Prince not having a will, it made me wonder whether you had put a will together and some other questions started running through my mind.” This is a great jar opener to the five important money questions.

- 1) **Do You Have A Will?** - The funny thing is that if your parents don't have a will, it's likely the state that they live in has one for them. The goal of the state and the goal of your parents with their money are likely to be two very different goals. Remember, the importance of the will isn't to figure out what you are going to get when your parents pass away. Instead, you are wanting to make sure you know who the executor of the will be and make sure that everything is in order to prepare for down the road. You probably will want to discuss whether your parents have set up a durable power of attorney and an advanced medical directive (living will).
- 2) **Where Is Everything?** The last thing you want to be doing is having a scavenger hunt years down the road trying to figure out where all of your parent's important documents are stored. You should ask your parents now whether they have a safety deposit box, where they have filed their will, and any other pertinent documents. You aren't asking your parents to divulge their net worth, but you should be understanding where these documents are especially if you are playing the executor role.
- 3) **Are You Helping Me At All With College Education?** While this sounds like a selfish question, many Gen X parents today have told me that their parents are going to 'help' them pay for a college education. If you don't have a clear discussion of what exactly the word help means, you might get stuck in a serious college education jam down the road when your parents have only set aside \$10,000 or \$25,000 for your children when you may have assumed that they were going to pay for the entire college education. You should try and gain clarity around this question in order to plan for what you need to do for your own situation.
- 4) **Do You Have Long-Term Care Insurance?** - The cost of an assisted living facility is more than \$3,600 per month on average and the cost of a private room in a nursing home is more than \$7,000 per month. If your parents don't have long-term care

insurance, will they have enough resources to pay for the long-term care with their assets? This is an important question for you to know because you might want to buy your parents a long-term care policy to potentially preserve your inheritance. What could be worse is if your parents are expecting that they will move in with you and you are not expecting this at all.

5) Are You Going To Run Out Of Money? What is the number one question you should be asking yourself if your parents run out of money? That's right, which sibling is going to let Mom and Dad stay at their house permanently. Often, there is one sibling that lives near Mom and Dad that bears the large brunt of this responsibility when other siblings live in different parts of the country. While money is often a taboo family subject, this is a tough question you want to ask Mom and Dad. Do they have a pension? Are they living just off of Social Security? Do they have enough money in their brokerage accounts, IRA's, and real estate to sustain their basic standard of living?

Earnings Highlights This Week

(source: CNBC)

Oracle- Oracle's top business segment missed expectations, as did hardware. The software maker announced a program to encourage customers to adopt its public cloud services in the quarter.

News and Notes:

Romance Scams On The Rise

- **This Can Cost You More Than Dinner And Dessert**
 - Americans Have Lost Over \$143,000,000 from romance scams.
 - The average loss: \$2,600 per person more than 7x higher than the median loss amongst other types of fraud.
- **Why: This Could Be A New Type Of "Nigerian Prince"**
 - People can be 'sad' and 'lonely' and your emotions are heightened.
 - The more dating apps you are on, the more you widen your net.
- **How Do The Scammers Work To Get The Money?**
 - Usually, they have a set profile: Lost their wife to some form of cancer, raising children alone/struggling, work keeps them at a distance.
 - Bring Up Money Problem: They can't pay their taxes/can't pay for their kids' food, etc., and promise they will take care of new love interest.
- **Who Are Most Likely To Be Victims?**
 - Women over the age of 60 – not as digitally savvy, widowers, recent divorcees.
 - Cybercriminals are very tough to catch especially if they don't have an identity.
- **Safety Tips**
 - Meet them in real life & always take it slowly.
 - Get a written agreement.
 - Do a background check & get 2nd opinion.

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