Weekly Market Commentary
October 4th, 2021

September Once Again Proves To Be The Weakest Month For The Stock Market

September has historically been the weakest month of the year for the stock market. This trend appears to have held, with the S&P finishing September with a 4.8% decline, just the second monthly loss of 2021 and the worst month since March 2021. Although an upcoming shift by the Fed to start withdrawing stimulus ("tapering") would be a catalyst for increased market volatility, the market pullback for the short term should prove to be temporary.

Last week, the stock market endured its first noticeable dent in some time, as a jump in interest rates reflected inflation concerns (oil prices joined the conversation, with crude rising 21% since late August) and expectations for the Fed to begin tapering this year. The return of rising-rate anxiety spurred the first 5% market pullback in a year.

1. Current rising-rate concerns represent a temporary pothole for stocks.

In similar episodes of rising rates, both earlier this year as well as during the last cycle when the Fed first announced its intentions to taper bond purchases. Each experience caused the stock-market rally to hiccup but didn't choke off the broader bull market. Ten-year yields went from below 1% to 1.75% during the first three months of this year, a period that included pullbacks in the S&P 500 of 3.7% for four days and 4.2% for 12 days. However, during that entire three-month stretch in which rates were rising, the stock market rose more than 7%. In this current spate, 10-year rates have jumped from 1.30% on September 15 to as high as 1.54% last week, reflecting a renewed concern over inflation pressures and reduced Fed-stimulus expectations. Stocks fell just under 3% between those dates. The period between May 2013 and May 2014 offers a potential parallel. Rates jumped by 1.3% following the initial mention of a taper by the Fed. Yields receded temporarily, before making a second run higher (reaching 3% in both instances). Neither proved to be the beginning of a prolonged period of rising rates.

2. This shouldn't undermine the broader expansion.

Economic expansions, and accompanying bull markets, do often end at the hands of high-interest rates. We think this expansion could eventually endure a similar fate, but fortunately, rates are not restrictively high and, in our view, won't become so in the near future. Existing inflation pressures pose the threat of accelerating the timeline, but we suspect it will be at least a year before the Fed hikes rates. Even then, it will take a tightening cycle before rates are likely to reach levels that make borrowing costs more restrictive for consumers and businesses, ultimately curbing economic growth, and ushering in a potential recession.

3. Rates are a catalyst for ongoing market rotation.

The rise in rates has hit growth and technology stocks hardest recently. With the mega-cap tech names (Apple, Amazon, Google, Microsoft, and Facebook) accounting for roughly one-fifth of the S&P 500, this was a factor in last week's volatility. During September, the S&P 500 Growth Index underperformed the Value Index by roughly 3%, consistent with the trend we saw during the January to March period of rising rates, when Value outperformed by nearly 9%.

(Source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	34,326	-1.36%
S&P 500 Index	4,357	-2.20%
NASDAQ	14,567	-3.20%
MSCI EAFE	2,281	-3.06%
10-yr Treasury Yield	1.47%	1.38%
Gold	$1,761	.57%
Bonds	$115	-.38%

Source: Reuters/Wall Street Journal

Why Facebook and Instagram Will Make And Spend More Money…And There Is Nothing You Can Do About It!

Our imagination is the most powerful thing that we all have in our possession. Seventy-nine percent of smartphone users check their phone within 15 minutes of waking up, and the most popular time for using Facebook and Instagram is in the evening. About half the time we spend is on our news feed or checking the Instagram stories for the day. (Source bizjournals.com). Every time we look at these pictures and newsfeeds during the morning and evening, pictures conjure up images of our friends having the time of their lives. We see people who seemingly are traveling to a new city every week. We watch our friends and neighbors driving luxury cars. Or we fancy the dessert our friends are having at the brand-new restaurant with a sparkler sitting on top of a chocolate ball. It makes us all take quick stock of measuring up our own lives against the visuals we see on Facebook and Instagram. So how do Facebook and Instagram get us to spend more money?

The Sneaky Ad- You should know by now that Facebook and Instagram know your tendencies better than your mom or your spouse does about you. They know what you like to watch, where you like to shop, what decade relates most to you, and where you would want front row seats for a concert. Did you ever wonder why they might be serving you up ads for retro t-shirts for 80’s sayings? Or why they put certain brands of sneakers in front of you? Or maybe wonder why there are constant ads for Keto products and a Peloton? Whether they get you by using something called a remarketing pixel or they develop something called lookalike audiences, the computer is faster and smarter than you.

The Vacation I Always Wanted- Facebookers and Instagrammers are obsessed with taking pictures of their vacations by the beach, in another country, or on a cruise with the kids. Since a picture is worth a thousand words, we often ask ourselves this question. "How are these people finding the money to enjoy all these vacations?" The simple answer is they aren't. You should check websites such as Money Status if you really want the truth about where you rank. It doesn't really matter though because the more we see these fancy vacations, the more we want to take one ourselves, and eventually, we too get the vacation we always wanted whether or not we can afford it. Do you know anyone at this point that hasn't visited either a) The Amalfi Coast b) Paris or c) Iceland? It almost feels like we stalk each other to get vacation ideas.

The Car I Always Wanted- Vroom! Vroom! There is a beautiful picture of that new BMW, Audi, or Mercedes flashed up on the morning news feed on Facebook. You scan the picture to realize that you are still driving that 2008 Honda or yesterday's minivan. It doesn't bother you at first until the next family posts up their stunning new automobile as well. Recently, there was an Instagram photo where there was a Lambo, Ferrari, and a new BMW right in the driveway. Before long, you find yourself searching the internet and then on to the dealership to pick up your new ride. What feels sexier, getting a brand-new Maserati or posting a picture of the 2-year-old Toyota Highlander you just bought?

The Body I Always Wanted- Instagram models! Instagram models! Calling all Instagram models!!! Can I get a shot of you in real life and not with a well-lit, filtered out, and definitely not real photo? Have you ever seen someone face stuffing pictures of twinkies and apple pie showing themselves getting heavier and heavier as they grow older? Of course not. In fact, most people who have whipped themselves in shape show off the bikini pose or are shirtless on the boat. Those that eat too much simply show pictures of their kids. It's kind of how Facebook and Instagram work. When you see these pictures of people you knew 25 years ago looking so fabulous, you too eventually start spending money to get your body in better shape as well.

Earnings Highlights This Week

(source: CNBC)

Bed Bath & Beyond- Bed Bath & Beyond said it saw a steep drop-off in traffic in August, dealing a blow to its fiscal second-quarter results. The big-box retailer is also dealing with industrywide supply chain complications, which Chief Executive Mark Tritton said have been "pervasive." Bed Bath & Beyond slashed its revenue and earnings outlook for the year, and its third-quarter guidance looks underwhelming.

News and Notes:

Mortgage Forbearance Hits America…Will You Be Affected?

When does mortgage forbearance end?

- Mortgage forbearance is set to wind down beginning September 30 th. There are more than 400,000 homeowners that will end mortgage forbearance in September alone.
- Over the next six to twelve months, you will see a big increase in housing inventory to the tune of 500,000 to 1,000,000 homes.
- Fannie Mae, Freddie Mac, FHA, HUD, USDA & VA loans will all be affected.

What are your options once you come out of mortgage forbearance?
Depends on your loan….

1. **Full repayment**- one-time lump sum make-up payment. Lenders cannot require.
2. **Intermittent Payments-** repay missed amounts over 3-12 months.
3. **Lengthen Your Loan Term-** repay missed payments at the end of your mortgage.
4. **Payment Deferral-** pay missed payments when you either sell the home or refinance the home.
5. **Loan Modification-** change the mortgage terms (i.e., lower rate, different length of loan). Borrowers can negotiate up to 25% off of their mortgage payments.

What can you do to protect yourself?

- **Check your credit score-** Mortgage forbearance should not affect your FICO score but double-check to make sure you don't take a negative hit.
- **Contact your lender-** Begin discussions and negotiations as soon as possible.
- **Make a family budget-** Have a good idea of where your monthly expenses need to be if you want a loan modification.

From the team at J M Brown Financial Partners
www.perfectcalendar.com

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to our distribution list, please reply to this email with their email address and we will ask for their permission to be added.
