

## **Weekly Market Commentary** **November 15th, 2021**

This week, we continued to see signals that inflation in the U.S. remains hot, with both the producer price index (PPI) and consumer price index (CPI) coming in above expectations, now at multi-decade highs. The headline CPI reading came in at 6.2% year-over-year, the highest level since 1990, while the PPI reading was 8.6%, the highest on record since 2010. This was driven by what we consider more transitory factors, including areas like energy and auto prices, as well as stickier components of inflation, like rent and wages.

What is driving this elevated inflation? The combination of strong demand and soft supply, caused by supply-chain bottlenecks, slow global reopening and labor shortages, rising wages, and commodity-price inflation have created imbalances pushing up prices. In turn, these imbalances have shown up for consumers as higher prices at the gas pump and increased costs for groceries and apparel, putting some pressure on consumption broadly.

### **What does this mean for Fed rate hikes?**

After years of trying to bring inflation up to its 2.0% target, the Federal Reserve now faces a new challenge: how to keep inflation contained. For the Fed, elevated inflation is worrisome because it could mean they are "behind the curve" in battling inflation and therefore need to raise rates. Markets now seem to be pricing in two rate hikes next year, and, after this week's inflation readings, some are even expecting three.

However, this Fed will be deliberate and patient with rate-hiking and will not want to derail any economic momentum. Fed Chair Powell reiterated in his latest comments that inflation is "expected to be transitory," and the Fed's current dot plot indicates just one rate hike in 2022, for now. The FOMC also has the benefit of time, as it has committed to the tapering process, likely through June of 2022, before considering rate hikes. During this time, it can evaluate the direction of inflation and labor markets and then move accordingly.

Keep in mind, it is not only when the Fed starts to raise rates, but also how many times it hikes them. This rate-hiking cycle will likely be shallower than those in the past, perhaps bringing the federal funds rate to 1.5% - 2.0% (versus 4.25% and 2.25% the last two cycles), making rates more palatable for markets and the economy broadly.

All of this could be a good reason to set up a service meeting and talk about how to reposition your portfolio if inflation is here to stay.

(Source: oXYGen & Jones)

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	36,100	-.63%
S&P 500 Index	4,683	-.32%
NASDAQ	15,861	-.69%
MSCI EAFE	2,355	-.72%
10-yr Treasury Yield	1.57%	8.28%
Gold	\$1,865	2.59%
Bonds	\$114.32	-.82%

Source: Reuters/Wall Street Journal

## Money Lessons You Can Learn From The Squid Game

If you haven't heard of the new hit series the Squid Game, you might be living under a rock. It's the #1 Netflix show in 91 countries. Everywhere you turn, people are talking about the hit show. This is because the Squid Game is truly a fascinating story and one that can teach us some valuable money lessons. The show is full of greed, loss, extreme violence, and the potential to earn an absolute fortune in the end. The Squid Game is set in modern-day Seoul, South Korea. In the real world and the Squid Game, a great deal of the population is riddled with debt sometimes seeming insurmountable. This holds true for a plethora of Americans.

That's one of the main reasons why this series hits home for so many of us. In essence, 456 cash-strapped players from all walks of life are enticed into playing a series of children's survival games. If they lose, they die. However, the one winner or survivor, in this case, receives an ultimate prize of approximately \$38 million. That's enough money to pay of the winner's existing debt, and pretty much set them up for life from a financial standpoint. The Squid Game is certainly an imaginative premise that places a group of strangers together in a series of life or death challenges.

Yet, as the game and the show move on it becomes more twisted at every turn. It also provides you with a chance to reflect upon how each of the characters could have avoided their current financial situation. When you look beyond the game itself, you'll begin to realize that there are many valuable money management lessons that you can take from the Squid Game. Here are three powerful lessons you can take away.

### Lesson #1: It's Important To Save Money

Benjamin Franklin nailed it on the head when he said, "a penny saved is a penny earned." Saving money is an incredibly important aspect of financial stability. However, there are great deals of people who simply do not follow this sound advice. Anyone can save money. It's a matter of discipline. One of the first lessons we learn is the pay yourself rule. This means taking money off the top and then learning to live on the rest of your paycheck. Most of the characters in the Squid Game are in dire financial situations because they lacked financial discipline and commitment. Do you really need that shiny new object, or would it be better to save money instead?

### Lesson #2: Do Not Take Large Gambles

The main character of the Squid Game got into financial trouble because he gambled on horse racing. Another character gambled by making incredibly risky investments with other people's money. Both characters ended up risking their lives because they lost at gambling more than they won. Gambling is tempting for a lot of people. This is since you can make a significant amount of money in a short period of time with little effort.

However, it's called gambling and not winning for a reason. The chances are incredibly high that you will lose your money gambling. This holds true whether you're gambling on a sporting event or a risky business proposition. You're far better off staying away from gambling all together. Remember, the stock market is gambling if you trade every day or every month, but if you hold your investments for a longer period of time you reduce the risk of your overall stock market investments.

### Lesson #3: Spend Your Money Wisely

The Squid Game is full of stories about people who have great struggles with their finances simply because they made poor choices along the way. However, if you spend your money wisely you will significantly reduce the odds of getting into financial trouble. By spending wisely, we are referring to possessing both the confidence and the knowledge to make the most of the money that you do have. It simply doesn't matter if you earn a large income or a smaller income. Wise doesn't mean frugal. It means making smart decisions as the CEO of your family finances that will help drive the biggest impact on your net worth.

The characters in the Squid Game made poor financial decisions, to say the least. Eventually, those poor financial decisions pushed them over the edge. They had no one else to turn to, which forced him or her to resort to desperate measures that most people would not choose to take. The good news is that this can be avoided if you have a solid financial plan and stick to making good long-term sensible financial decisions.

### Earnings Highlights This Week

(source: CNBC)

**Warby Parker-** Warby Parker reported Friday that its third-quarter revenue rose 32% from year-ago levels, but its losses widened. The company reported \$65 million in stock-based compensation expenses, \$23.9 million of costs tied to its direct listing, and \$7.8 million in expenses from a stock donation to the Warby Parker Impact Foundation. The eyeglasses maker said its active customers totaled 2.15 million, up 23% from 2020 levels.

**Aviva-** British insurer Aviva said on Thursday it was on track to return at least 4 billion pounds (\$5.41 billion) to shareholders and meet or beat cost-saving targets, as it faces pressure to boost returns from activist investor Cevian. Cevian took a 5% stake in Aviva this year and wants the insurer to return 5 billion pounds in capital to shareholders by the end of 2022, following a recent spate of international disposals.

**Disney-** Disney reported fiscal fourth-quarter earnings on Wednesday after-the-bell. The company missed Wall Street estimates across the board, sending the stock down in after-hours trading. It also missed Disney+ subscriber estimates.

**Beyond Meat-** Beyond Meat reported a wider-than-expected loss for its fourth quarter and revenue that fell short of analysts' estimates. The company also disappointed investors with its revenue outlook for the fourth quarter. U.S. revenue fell 13.9% compared with a year ago, mostly due to weaker grocery demand.

**Coinbase-** Coinbase reported weaker-than-expected revenue for the third

quarter. The number of monthly transacting users dropped from the prior period. Both bitcoin and ethereum hit new all-time highs this week.

## News and Notes:

### What Holiday Gifts May Not Be Affected By The Supply Chain?

#### How can travelers better prepare for the upcoming holiday season?

- Choose your airline carefully. Do they fly the same flight and route one time a day or eight times a day? This may stop you from having one canceled flight.
- Know where your plane is coming from. Airlines including Southwest Airlines operate point-to-point networks which means they may hit multiple cities. This could have a ripple effect if your plane has a malfunction or hits inclement weather.
- Remember both the airports and the roads are going to be busier. Think about traveling during off-peak times and days and give yourself a buffer.

#### Are there any financial moves to be making with your holiday travel?

- Consider buying travel insurance. Make sure you read the fine print to see if they cover for any delay or something specific like a mechanical failure.
- If you can use points and they aren't part of a blackout period, many people have lots of stored-up frequent flyer points.
- Remember to budget extra for gas if you are driving. Prices are up 50% vs. one year ago.

#### Shifting gears, supply chain could affect holiday shopping...what gifts will NOT be affected by the supply chain?

- This could be the year of the “downloadable gift”- this could be a digital gift card or gift a streaming service subscription for a year.
- Consider gifting an experience. Most venues (museum, spas, etc.) are open and this is something you can get locally in your city.
- Shop local: This could be the best holiday season to browse your local stores and make a purchase. Help your community.

From the team at J M Brown Financial Partners

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