

ECONOMIC & MARKET INSIGHTS

An Executive Summary for August 2021

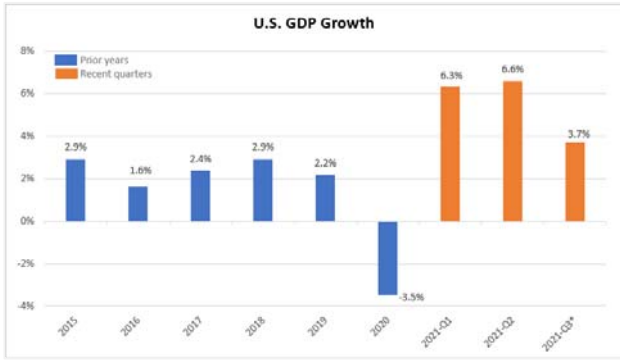
The global economic reopening progressed through August, supported by some easing of restrictions in developed countries despite the broadening spread of the Delta variant. Sporadic supply chain disruptions in different industries may endure as long as access to proven vaccines remains elusive in emerging markets, and if more qualified individuals don't willingly receive a vaccine dosage when they are available. The virus has affected major nations in different ways. In most of Europe, the U.K., China, and India, high vaccination rates have kept hospitalizations down while in the U.S. and other larger nations they've risen due to lower vaccination rates. Currently, approximately 62% of the U.S. population is at least partially vaccinated while 53% is fully vaccinated. The Pfizer-BioNTech vaccine was given full FDA approval in late August, which may encourage more eligible people to get vaccinated.

The U.S. economy added an additional 235,000 jobs in August, dropping the unemployment rate to 5.2%. Although these figures are encouraging, August's jobs total fell short of economists' estimates of around 720,000 new jobs added. Employers reported difficulty in filling job vacancies, a persistent problem that may take time to correct itself. This implies a greater portion of the population has decided to leave the workforce, but it remains to be seen for how long as unemployment benefits have already expired, or may soon expire, across the nation. Average wages rose 0.6% in August after a 0.4% rise in July. With inflation, the Federal Reserve remains steadfast given their perspective that it is transitory. The Consumer Price Index (CPI) rose 5.4% year-over-year through July, inclusive of elevated auto prices. The Fed also has indicated that it plans on tapering its monthly purchase of about \$120 billion in bonds by the end of 2021 but is largely dependent on the labor market's recovery path and level of inflation. Despite inflation concerns, the Senate passed a new \$550 billion infrastructure bill focused on new spending, but the chances of it passing through the House of Representatives is slim unless it is tied to a larger proposed \$3.5 trillion spending bill, including tax increases.

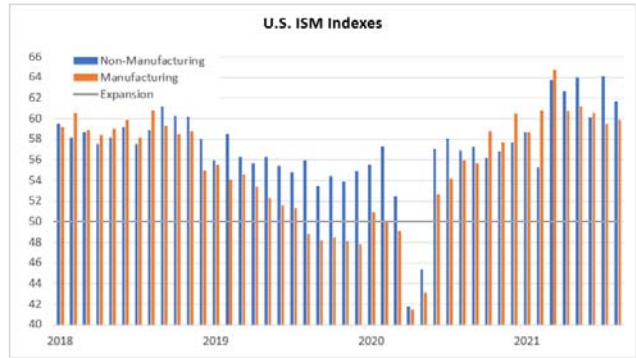
Globally, large-cap stocks led small-caps and growth beat value – the trend throughout the year. Within the S&P 500, all sectors rose, aside from energy. Oil demand was cloudy given the pandemic's resurgence risk, despite the forced closure of some refineries by Hurricane Ida. The financial and communication services sectors were strong after each rose 5.0%. Emerging markets led developed markets despite the new Chinese regulatory changes implemented abroad. Markets seemed to digest China's new legislation after some foreign internet giants initially dropped.

Fixed-income returns were flat-to-slightly negative for the month as yields marginally rose across all maturities. Within credit, high-yield bonds rose and outperformed their investment-grade counterparts. Municipal bonds remain expensive compared to the past, and the outlook for new issuance is limited assuming the infrastructure bill stalls. Adopting an active management style may be a prudent approach given the challenge to earn attractive yields and tax-efficient total returns in this asset class. According to AllianceBernstein, year-to-date municipal fund inflows reached \$80.8 billion through August. In terms of annual flows, this already makes 2021 the second largest on record, with four months still to go.

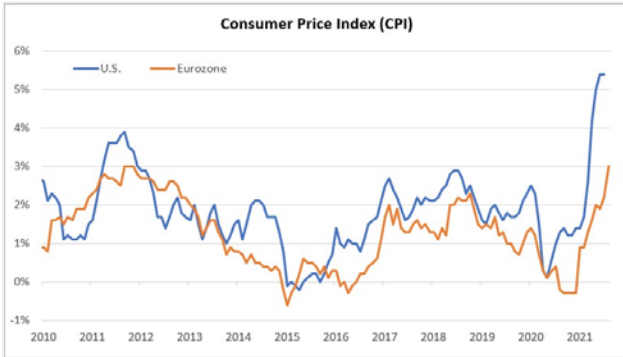
The global reopening is in full swing, but as forecasted, countries far along in the process have seen their growth rates slow. The Delta variant risk is real, but how countries and economies handle it is dependent upon a multitude of factors. Looking past any COVID-induced hiccups, the outlook moving forward is mostly constructive and serves as a reminder to invest portfolios according to personal goals incorporating a risk framework.



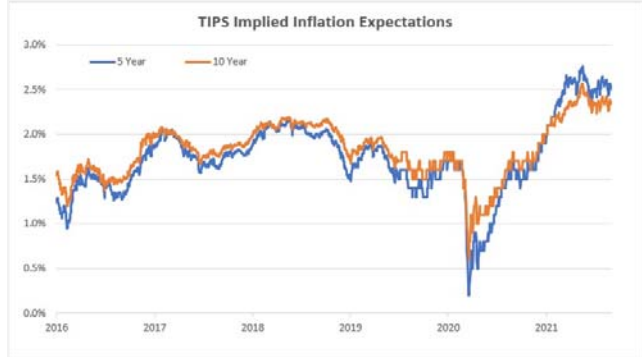
U.S. Department of Commerce, * Atlanta Fed GDP Now Estimate



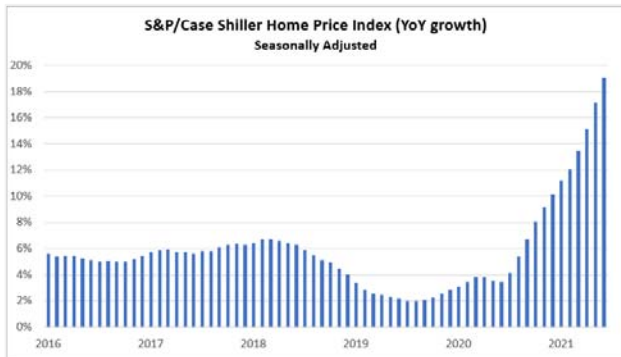
Institute for Supply Management (ISM)



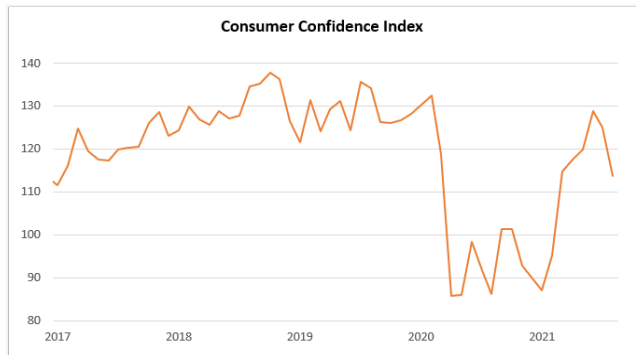
U.S. Bureau of Labor Statistics



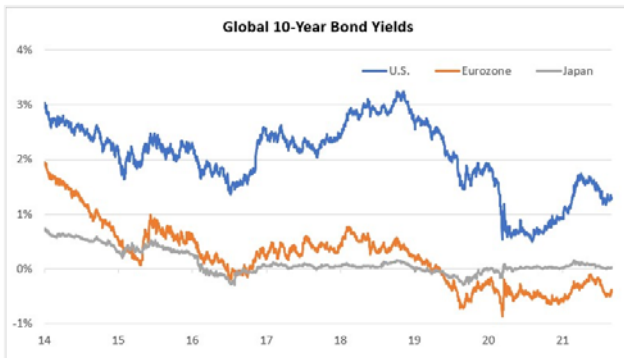
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The S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of eleven different sectors; the MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The S&P Case-Shiller Home Price Index measures the value of single-family housing within the U.S. The index is a composite of single-family home price indices for the nine U.S. Census divisions. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectations for inflation, stock prices and interest rates. The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the manufacturing sector. The ISM Non-Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the services (or non-manufacturing) sector. Data in this newsletter is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss. Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client.

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