

10/06/21

Good Afternoon,

Our roller coaster markets continue on their dizzying ride with daily movements of stock indices at 1% or more occurring in most of the last ten trading sessions. Volatility picked up in early September and has been constant since. The result is a decline in the S&P 500 of around 5-6% from the highs this summer, as well as your first monthly account decline in quite a while. Don't worry, it's not a 5% drop in your accounts. As I always say, it's a good opportunity to *not* open your September statement – which will arrive shortly.

Investors are a bit nervous and are having some difficulty in separating headline risk from real risk. Headline risks include news that seems very troubling to financial markets but are more bark than bite (like the Chinese Evergrande story, the US debt ceiling debate, etc.). Real risks present potential actual impacts on markets and may include inflation, interest rates, geopolitical aggression and pandemics. Headline risk moves markets day to day, but longer-term trends are dictated by real risk. In reality, some of the real risks are making headlines today – especially inflationary pressures as consumer demand continues to exceed supply. We remain cautiously optimistic on markets as the economy continues to gain strength despite some of the headlines we read.

In an effort to not jinx them, I stopped mentioning my Cincinnati Reds as they made a mid-summer run and held onto a playoff position – right until they didn't. The Reds flopped in the final three weeks of the season to finish 6<sup>th</sup> in the National League. Five teams make the playoffs, so the Reds players are on the golf course rather than in the dugout. Of course, most major league players are done for the year as well, including the New York Yankees who lost a one game playoff last night. The Yankees' annual payroll exceeds the Reds' by nearly \$100 million, which seems pretty expensive for one extra game! Anyway..... Go Bills!

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your week,

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