

BW BECKER WEALTH MANAGEMENT, LLC

A WEEKLY NEWSLETTER PUBLICATION OF BECKER WEALTH MANAGEMENT

S&P down amid policy decisions and Covid concerns.

Markets took a flurry of monetary policy decisions and a continuation of Covid headlines.

Somewhat as expected with defensive sectors utilities, staples, healthcare, and REITs leading the way and higher valuation and cyclical areas underperforming. The S&P 500 finished down 1.94% while international markets were down approximately 3%. In sympathy with the de-risking tone, we saw a bid in the USD and a flattening of the yield curve leaving the 10-year U.S. Treasury down near 1.41% to close the week. The economic calendar remained fairly encouraging with economic activity surveys and housing market data remaining positive.

Market Anecdotes

- A highly anticipated Federal Open Market Committee meeting delivered a judicious hawkish tone as expected. Markets took the 2x increased pace of taper and commensurate earlier potential for rate hikes in stride. A move toward a June liftoff with March as a distinct possibility is now the Fed base case.
- Markets receiving such a notable hawkish pivot in stride supports the Fed's decision to prioritize inflation containment over the remaining few steps of labor market recovery. A detailed look into the inflation data clearly seems to support the newfound inflation fighting spirits.
- Other central bank policy announcements last week include a Bank of England 'chicken little' hike of 0.15% (as expected), a Norges Bank 25bps hike (as expected), and the European Central Bank standing pat.
- Strategas made note that, for now, sales growth across small caps is increasing at a faster rate than costs, translating to persistently better earnings growth while valuations remain compelling.
- The Senate voted last week to lift the



Photo Source: www.bigstock.com

debt ceiling past midterm elections, eliminating that market risk for the time being. Also passed was a \$768b defense spending bill. The tenuous Build Back Better Act has been delayed to next year.

- The second year of a Presidential cycle typically brings change of control in the legislature, increased equity market volatility, and a neutral Fed. Extenuating that trend, Biden is facing a certain fiscal drag, a hawkish Fed, and very low approval ratings.
- Massive twin deficits and decelerating U.S. growth both factor largely into the weak U.S. dollar thesis with the former generally leading by two years and the latter resulting in strength initially but weakness subsequently as the economy and Fed operate at cooler temperatures.
- The renewed surge of Covid cases continues to grab headlines but markets remain unconvinced, based on current information, that it will dislodge the global economic recovery underway.
- A generational surge in aggregate global debt, with an extraordinary amount in negative yielding territory is worth noting as debt levels simply tend to pull growth forward.
- Strategas notes that the funnel of fiscal stimulus and extended unemployment

benefits having faded away, the savings rate has fallen back in line with averages over the past ten years.

Economic Release Highlights

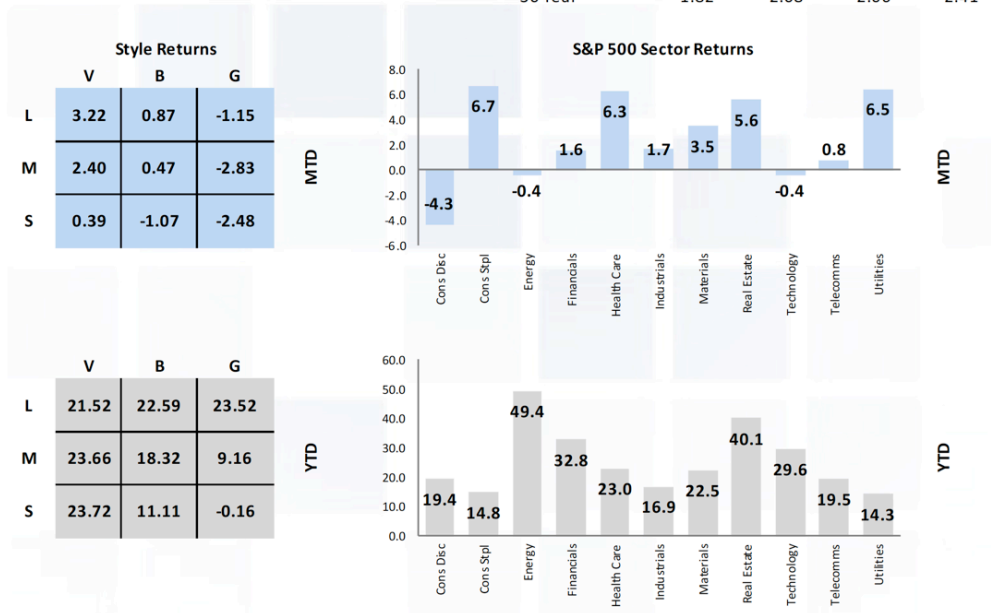
- November Month over Month headline Retail Sales missed expectations (0.3% vs 0.8%) and both sub readings, ex-vehicles (0.3% v 0.9%) and ex-vehicles & gas (0.2% v 0.8%), fell short as well.
- December's U.S. flash Project Management Institute (Consumption, Manufacturing, and Service) registered 56.9, 57.8, 57.5 which remained solidly in expansionary territory but came in slightly under consensus estimates.
- December's Non-U.S. flash PMIs (Consumption, Manufacturing, and Service) for Japan registered 51.8, 54.2, 51.1 and the Eurozone at 53.4, 58.0, 53.3.
- November Industrial Production of 0.5% and Manufacturing Output of 0.7% were both generally in line with forecasts.
- The November NFIB Small Business Optimism Index remained relatively soft but in line with consensus expectations at 98.4 versus 98.3.
- The December Housing Market Index came in right at consensus of 84 while November Starts of 1.679mm and Permits of 1.712mm both exceeded forecasts.

Investment Advisory Services are offered through Virtue Capital Management, LLC, an SEC Registered Investment Advisor. This newsletter is not to give investment advice. Before investing in any advisory product please carefully read the firm's ADVs before investing. See full disclaimer on page 2 of this document.

INSIGHT

MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	9/30/21	6/30/21	3/31/21
Dow Jones	35365	(1.67)	(1.34)	2.73	17.71	18.88	Oil (WTI)	71.19	75.22	73.52	59.19
NASDAQ	15170	(2.94)	(4.67)	0.99	18.45	19.61	Gold	1779.80	1779.80	1763.20	1691.10
S&P 500	4621	(1.91)	(1.33)	4.59	24.73	25.91					
Russell 1000 Growth		(2.99)	(3.05)	3.57	23.52	24.66	Currencies	Current	9/30/21	6/30/21	3/31/21
Russell 1000 Value		(0.56)	(1.31)	3.17	21.52	22.45	USD/Euro (\$/€)	1.13	1.16	1.19	1.17
Russell 2000		(1.68)	(8.43)	(2.54)	11.11	10.99	USD/GBP (\$/£)	1.33	1.35	1.38	1.38
Russell 3000		(1.85)	(2.64)	3.00	21.81	22.76	Yen/USD (¥/\$)	113.36	111.50	111.05	110.61
MSCI EAFE		(0.46)	(3.01)	(2.44)	8.99	9.36					
MSCI Emg Mkts		(1.75)	(5.34)	(4.52)	(3.64)	(2.09)	Treasury Rates	Current	9/30/21	6/30/21	3/31/21
Fixed Income	Δ Yield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	3 Month	0.05	0.04	0.05	0.03
US Aggregate	1.76	(0.01)	(0.05)	(0.05)	(0.38)	(0.38)	2 Year	0.66	0.28	0.25	0.16
High Yield	4.30	(0.03)	(0.07)	(0.12)	(0.82)	(0.88)	5 Year	1.18	0.98	0.87	0.92
Municipal	1.71	(0.03)	(0.05)	(0.08)	(0.20)	(0.22)	10 Year	1.41	1.52	1.45	1.74
							30 Year	1.82	2.08	2.06	2.41



Becker Wealth
MANAGEMENT, LLC

949-724-4575 | www.beckerwealthmanagementllc.com

Investment Advisory Services are offered through Virtue Capital Management, LLC, an SEC Registered Investment Adviser. VCM and Becker Wealth Management are independent of each other. This newsletter is not to give investment advice. Before investing in any advisory product please carefully read any disclosure documents, including without limitation, the firm's Form ADVs. Indices do not reflect the deduction of any fees or expenses. They are not available for direct investment. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The DJIA was designed to serve as a proxy for the broader U.S. economy. The Nasdaq Composite Index is the market capitalization-weighted index of over 3,000 common equities listed on the Nasdaq stock exchange. It is used as a broad-based market index. The S&P 500 index is designed to be a broad based unmanaged leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe or representative of the equity market in general. The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. Total Return assumes dividends are reinvested. The Russell 1000 is a subset of the Russell 3000 Index. It represents the top companies by market capitalization. The Russell 1000 measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 index is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States. Visit www.russell.com/indexes/ for more information regarding Russell indices. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The information published herein is provided for informational purposes only, and does not constitute an offer, solicitation or recommendation to sell or an offer to buy securities, investment products or investment advisory services. Nothing contained herein constitutes financial, legal, tax, or other advice. These opinions may not fit your financial status, risk and return profile or preferences. Investment recommendations may change, and readers are urged to check with their investment adviser before making any investment decisions. Estimates of future performance are based on assumptions that may not be realized. Past performance is not necessarily indicative of future returns or results. No representation is made as to the accuracy, completeness or timeliness of the information in this material since certain information herein is based on or derived from information provided by independent third-party sources. All enclosed material including market analysis data provided Taiber Kosmala & Associates, LLC. There is no duty to update this information. The Wilshire 5000 Total Market Index represents the broadest index for the U.S. equity market, measuring the performance of all U.S. headquartered equity securities with readily available price data. The PHLX Semiconductor Sector Index (SOX) is a capitalization-weighted index composed of 30 semiconductor companies. The companies in the Index have primary business operations that involve the design, distribution, manufacture and sale of semiconductors. The index is designed to track the performance of listed semiconductors. The Case-Shiller Index, formally known as the S&P/Case-Shiller Home Price Index is made up of several indexes that track the value of single-family detached residences using the arms-length and repeat-sales methods. It is used as a barometer not just of the housing market, but also of the health of the broader economy. For more information on the index, please visit <https://www.spglobal.com/>. All information obtained from Taiber Kosmala & Associates (2020). The secured overnight financing rate (SOFR) is a benchmark interest rate for dollar-denominated derivatives and loans that is replacing the London interbank offered rate (LIBOR). Interest rate swaps on more than \$80 trillion in notional debt switched to the SOFR in October 2020.