



A WEEKLY NEWSLETTER PUBLICATION OF BECKER WEALTH MANAGEMENT

## Mixed global events dominate market headlines.

**T**he China Evergrande debt situation, FOMC meetings, and some DC drama (2011 vintage) dominated market headlines.

Coming into the week leading to some early week volatility, but buyers again stepped in netting a slight gain for the S&P 500. A modestly hawkish Fed translated to a notable move higher (bear steeper) in yields and some strengthening in the USD. Developed non-U.S. equity markets finished slightly in the red while emerging markets were down thanks to the news coming out of China.

### Market Anecdotes

- Market reaction to the Evergrande debt situation in China dominated the headlines last week. As usual, the keys are in the details including the company's profile, Mainland China vs Hong Kong considerations, market sentiment, and the "no bad news" political/regulatory backdrop.
- The Evergrande crisis may well just be another deflationary shock to the Chinese economy, which could prompt more of a firm policy response than what is already underway in China.
- An anecdotal observation on whether Monday's market internals provided confirmation or comfort is how highly indebted companies traded. Interestingly, companies with the lowest debt to asset ratios bore the brunt of the downside, not the opposite.
- Last week's FOMC meeting rolled out what sounded like a clear policy decision which is that both inflation and jobs conditions could be met by their next meeting in November where they expect



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to announce the tapering program to begin in December and conclude around mid-2022.

- Powell made clear the tapering program has no bearing on timing of rate hikes but did adjust market expectations on timing to include 1+ hikes in 2022 as a distinct possibility. Overall, markets conditioned the September meeting as hawkish at the margin.
- Updated FOMC SEP's show downgraded (but still above trend) GDP growth and earlier and larger tightening policy than June's SEP's. Core PCE forecasts were revised moderately higher for 2022 and 2023 but still in line with the Fed's 2% target.
- The bond market didn't react notably to the FOMC meeting but found a catalyst on Thursday where the curve viciously bear-steepened. 2yr yields closed in on the highest levels since early 2020 and the 10yr yield marked fresh two-month highs.
- Bitcoin tumbled following a People's Bank of China (PBoC) announcement on Friday that it will consider all cryp-

to-related transactions as illicit financial activity. The SEC is also sending signals that it views crypto projects as unregistered securities offerings.

### Economic Release Highlights

- September U.S. PMI readings (Composite, Materials, Service) of 54.5, 60.5, and 54.4 came in slightly below forecasts but again solidly in expansionary range. Eurozone readings also came in below estimates but still robust at 56.1, 58.7, 56.3
- The September NAHB Housing Market Index (HMI) surprised to the upside, registering 76 versus consensus calls for 74.
- August Housing Starts (1.615mm vs 1.575mm) and Permits (1.728mm vs 1.610mm) both came in well above expectations.
- August Existing Home Sales came in just under consensus (5.880mm vs 5.900mm) after a strong rebound to 5.990mm in July. New Home Sales of 740k were handily above the consensus call of 708k.

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# INSIGHT

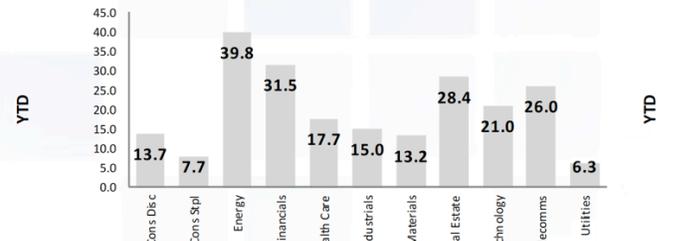
## MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	6/30/21	3/31/21	12/31/20
Dow Jones	34798	0.62	(1.43)	2.22	15.28	32.25	Oil (WTI)	70.41	73.52	59.19	48.35
NASDAQ	15048	0.03	0.24	4.88	17.32	41.96	Gold	1756.00	1756.00	1691.10	1887.60
S&P 500	4455	0.52	(0.57)	4.78	19.87	39.28	<b>Currencies</b>	<b>Current</b>	<b>6/30/21</b>	<b>3/31/21</b>	<b>12/31/20</b>
Russell 1000 Growth		0.31	0.15	7.05	19.64	39.29	USD/Euro (\$/€)	1.17	1.19	1.17	1.23
Russell 1000 Value		0.67	(1.17)	1.53	18.57	41.77	USD/GBP (\$/£)	1.38	1.38	1.38	1.37
Russell 2000		0.51	0.86	(3.43)	14.59	56.41	Yen/USD (¥/\$)	109.94	109.94	110.61	103.19
Russell 3000		0.48	(0.40)	3.81	18.83	41.36	<b>Treasury Rates</b>	<b>Current</b>	<b>6/30/21</b>	<b>3/31/21</b>	<b>12/31/20</b>
MSCI EAFE		(0.26)	(0.10)	0.98	11.43	31.39	3 Month	0.03	0.05	0.03	0.09
MSCI Emg Mkts		(1.01)	(0.09)	(6.56)	(0.10)	22.45	2 Year	0.29	0.25	0.16	0.13
<b>Fixed Income</b>	<b>Δ Yield</b>	<b>1 Wk</b>	<b>1 Mo</b>	<b>3 Mo</b>	<b>YTD</b>	<b>1 Yr</b>	5 Year	0.97	0.87	0.92	0.36
US Aggregate	1.83	0.01	(0.01)	(0.12)	(0.32)	(0.50)	10 Year	1.47	1.45	1.74	0.93
High Yield	4.42	0.00	(0.06)	(0.24)	(0.69)	(1.14)	30 Year	1.99	2.06	2.41	1.65
Municipal	1.80	0.00	(0.01)	(0.05)	(0.11)	(0.20)					

**Style Returns**

	V	B	G
L	-1.46	-1.31	-1.19
M	-1.71	-1.05	0.08
S	-1.64	-1.06	-0.52

	V	B	G
L	18.57	19.15	19.64
M	20.66	18.86	15.28
S	23.38	14.59	6.37



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