August 2021

Here are selected year to date return numbers through the end of July.

Stock Indexes	
	(As of 07/31/21)*
Dow Jones Industrials	14.10%
S&P 500 Index	17.00%
NASDAQ Composite	13.80%
	(As of 07/31/21)*
Russell 1000 Growth Index	16.71%
Russell 1000 Value Index	17.98%
	(As of 07/31/21)*
Russell 2000 Index	13.29%
Russell 2000 Growth Index	5.01%
Russell 2000 Value Index	22.16%
Bond Index	**(As of 07/31/21)***
Barclays Cap. Aggregate Bond Composite Index	-0.50%

(Source: The Wall Street Journal & Russell Investments websites)

*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

FINANCIAL AND INVESTMENT PLANNING

July was a good month for U.S. stocks. U.S. bonds and foreign stocks had smaller gains. Both foreign and domestic equities have enjoyed excellent returns year to date, while bonds' seven month returns are slightly negative. Here are return numbers for representative benchmarks.

	July	**Year to Date**
S&P 500 Index (price)	2.27%	17.02%
MSCI ex-U.S. Index (price)	0.60%	9.09%
BBG Barclays U.S. Aggregate Bond Index	1.12%	-0.50%

Source: Raymond James

While I have not observed any particular themes to discuss this month, I have come across some financial market and economic tidbits which you may find interesting.

The use of margin debt on the New York Stock Exchange (NYSE) increased to $882 billion in June 2021, the 8th consecutive month setting an all-time high, i.e., new monthly records have been set from November 2020 through and including June 2021 Before this 8-month run began, the record level for margin debt was $669 billion set in May 2018 **(Source: Financial Industry Regulatory Authority).**

I believe this is an indicator of investor confidence and enthusiasm. People borrow money from broker dealers to own a larger amount of equities. Of course, borrowed money must eventually be repaid. And, if and when stocks enter a bear market and decline, based on history, some borrowers will become forced sellers. This can exacerbate declines as borrowers' selling adds to price pressure. In my experience, stock market momentum in either direction-up or down-can last longer than one might expect. Perhaps margin loan borrowers will continue to be rewarded for a while longer.

Here is an interesting statistic.

As of 6/30/21, the Federal Reserve owned 29% of outstanding U.S. Treasury notes and bonds, i.e., $4.5 trillion out of $15.3 trillion **(Source: Federal Reserve Bank of New York).**

The U.S. Treasury issues/sells government notes and bonds and the Federal Reserve is a big customer. We are buying bonds from ourselves. I have also read that despite the low level of yield on the 10-year Treasury note, many foreign investors can buy our paper which has a current yield in the 1.25% - 1.30% range, pay to hedge the currency risk, and still have a positive return which exceeds the yield on their own comparable maturity securities.

So, when people ask me how it is that we-the federal government-can borrow so much money, one reason is there are several very large buyers. This has helped us double our national debt from $14.34 trillion on 7/29/11 to $28.46 trillion on 7/29/21. **Source: Treasury Department**

And finally, I doubt this will surprise absolutely nobody.

56% of the existing U.S. homes that went on the market for sale in June 2021 that have already secured a buyer were sold for more than the original asking price **(Source: Redfin).**

Thank you for taking the time to read the newsletter and for listening in to Money Talk.

Warm regards,

Carl

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- **Past performance is not indicative of future results.**
- The Dow Jones Industrials is an index of 30 stocks that is considered representative of the overall market.
- The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.
- The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.
- The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- The Russell 2000 Index is an unmanaged index of small cap securities which generally involve greater risks.
- The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equities.
- The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equities.
- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.
- The Barclays Capital U.S. Aggregate Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.
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