

November 2021

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

Stock Indexes

	(As of 10/31/21)*
Dow Jones Industrials	17.00%
S&P 500 Index	22.60%
NASDAQ Composite	20.30%

	(As of 10/31/21)*
Russell 1000 Growth Index	24.20%
Russell 1000 Value Index	22.03%

	(As of 10/31/21)*
Russell 2000 Index	17.19%
Russell 2000 Growth Index	7.64%
Russell 2000 Value Index	27.60%

Bond Index

	(As of 10/31/21)*
Barclays Cap. Aggregate Bond Composite Index	-1.58%

(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

Let's talk about inflation. I seem to be having this conversation with increasing frequency.

Here in our offices Lisa and Linda have noticed and complained about rising prices at restaurants. I would guess everyone has observed what it costs to fill up your vehicle with gasoline.

There is an inflation debate. Is the year over year 6.2% increase transitory or a harbinger of a long lasting shift in our economy? Federal Reserve officials continue to insist the causes of our current inflation are temporary and when the global economy returns to a more normal supply and demand balance, prices will moderate.

I think it is helpful to look at recent price data to gain a deeper understanding of our current situation.

Here are some price changes since just before the pandemic took hold in the U.S.

Price Changes Since February 2020 at Annual Rate

Used Cars and trucks	+24.4%
Uncooked beef steaks	+16.5%
Regular unleaded gas	+15.5%
Furniture	+7.1%
Sports Tickets	+5.5%
Full service meals	+4.6%
Computers	+3.2%

Source: U.S. Bureau of Labor Statistics

Some items are still below their February 2020 levels.

Audio Equipment	-3.0%
Men's Suits (my favorite)	-7.9%
Public transport	-9.2%
Airline fares	-15.0%

Source: U.S. Bureau of Labor Statistics

And here are a set of numbers that affect anyone who eats-a pretty large group.

Tyson Foods Inc. produces roughly 1 of every 5 pounds of chicken, beef and pork in the U.S. Here are data showing recent segment volume and pricing changes from a year earlier.

	Volume	Pricing
Pork	-18%	+38%
Beef	-15%	+33%
Chicken	-6%	+19%
Prepared foods	-13%	+11%

Source: Tyson Foods Inc., S&P Capital IQ

It appears that the disrupted global supply chain is only part of the problem. You have probably read about semiconductor shortages affecting automobile/truck production and used vehicle pricing.

The other aspect of inflation is demand. Because of federal government fiscal programs injecting money into our economy, at the aggregate level, American have two things: lots of cash and Covid caused pent up demand.

My friend Cameron owns a local restaurant and catering business. He has run out of Pellegrino sparkling water. After his assistant manager spent six hours driving around Austin looking for Pellegrino, he gave up his quest. Now Cameron and two other restaurants I frequent have switched to a local brand. People want to go out and dine.

And it is not just food and dining that are experiencing sharp increases in demand. On November 15th the Wall Street Journal reported that Airbus, one of the largest manufacturers of airplanes, announced it cannot increase production of its popular single-aisle jet fast enough to meet demand, and forecasts delivery constraints for another three years.

And how have the financial markets responded? Pretty much with a yawn. As I write this the yield on the benchmark 10-year Treasury note is about 1.6%. You are still earning next to nothing on your bank deposits. And the Fed remains committed to keep short term rates very low.

Stock indexes are at or near all time highs. And while gold has risen approximately 3% recently, it is flat for the year.

We will all have no choice but to watch and see and experience whether rising inflation is transitory or here to stay.

See you at the gas pump.

I continue to receive calls on my radio broadcast, in conversations with clients, and casual conversations at lunch and on the tennis court about Bitcoin and other cryptocurrencies. This phenomenon has clearly engaged the public attention and imagination.

Every week I am invited to several webinars on cryptocurrency. Our son in law Nathan tells me he has friends who own Bitcoin or are trading it.

While I have no idea how this will all play out, here are a few observations.

You can call it a currency if you like. In my view it is not. The dollar, yen, sterling and euro are currencies. They do not rise and fall 10-20% in value in rapid succession. Would you want to sign a contract to deliver goods or services and be paid in cryptocurrency, when you have no idea its value when your contract is fulfilled?

Cryptocurrency is the perfect asset for illegal activity. It cannot be easily observed, and transactions traced. This makes it ideal for criminal activity. If you steal a person's or company's data and hold it for ransom, you would want to be paid in cryptocurrency.

It seems to me that eventually central governments will want to regulate cryptocurrencies, just like they do stocks, bonds and mutual funds. You may have read that the Chinese government has effectively outlawed the asset by denying any citizen the ability to own it.

There is no doubt Wall Street is interested. And it is entirely possible that cryptocurrencies may eventually enter the investment mainstream

Right now, count me as an observer and not an investor.

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

Warm regards,



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Financial Advisor

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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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