

07/27/21

Good Afternoon,

Stocks continue to advance, although hardly in a straight line. Corporate earnings for Q2 have been strong and demonstrate the power of the consumer unleashed after a year of COVID restrictions. The Delta variant of the virus has cases spiking sharply across the globe and investors appear to take that in stride. Next week starts August, historically the second worst month for stock performance over the past 30 years. The pending U.S. debt ceiling limit and the lack of an agreement in Congress on infrastructure spending could contribute to a difficult start to the month.

The U.S. will hit its statutory debt ceiling limit on July 31<sup>st</sup>. U.S. Treasury Secretary Janet Yellen urged lawmakers last Friday to increase or suspend the nation's debt limit as soon as possible and warned that if Congress does not act by Aug. 2 the Treasury Department would need to take "extraordinary measures" to prevent a U.S. default, Reuters reported. Essentially, Secretary Yellen is warning Congress not to play politics with the debt ceiling. Naturally, Congress won't listen, and we anticipate stock and bond markets will get quite anxious by next Monday.

The Fed meets tomorrow to discuss its interest rate and bond buying policies. While we don't expect any changes to the Fed Funds Rate, we suspect there may be some changes to the language in the press release regarding monthly bond purchases. Any mention of changes to the asset-buying program will be closely examined and surprises could negatively affect markets. At some point, tapering of bond purchases will have to happen.

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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.

Have a great week and enjoy the Olympics – if you like that kind of thing! (I do.)

*Wade*

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