

09/21/21

Good Afternoon,

The September slump continues as evidenced by yesterday's nervous stock market drop. Perhaps it's just time to let off a little steam since the roaring comeback off the March 2020-COVID lows. However, there are several issues of concern to investors, the biggest of which is a Chinese company that most people have never heard of; Evergrande. Throw in the debt ceiling and the Fed and things get a little murky.

Evergrande is a real estate development corporation that took on significant debt during rapid expansion and owns more than 1,300 projects in 280 cities across China. The slowing real estate market in China and new rules regarding corporate debt levels have negatively impacted Evergrande's ability to meet its debt obligations. One of China's largest companies, it has more than \$300 billion of debt. If it defaults on debt payments, the ripples will be felt throughout the global economy by companies owed money like banks, industrial suppliers, and investors. The potential for a domino effect is real. We shall see if Beijing steps in to rescue the company that may be "too big to fail."

The debt ceiling debate is getting hot with October 1<sup>st</sup> around the corner and a possible government shutdown to follow. Once again, the debt ceiling is a political football with Charlie Brown (the Democrats) getting ready to kick as Lucy (the Republicans) plans to pull it away at the last second. While the Republicans don't like the Biden Administration's proposed budget, the reality is the debt ceiling will be raised, even if the Dems do it alone. It's an ugly, troublesome and potentially dangerous game being played on the taxpayers' time and dime.

The Fed starts its two-day meeting today and we are likely to hear that the estimated date of raising interest rates will move closer than last projected. While not immediately significant, it would send an important message; get ready for rates to go up sooner than later. That process will be slow to avoid shocks to the system and can always be stopped or reversed if the economy stumbles. Markets will be watching closely for the statement tomorrow afternoon.

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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 fantastic week!

*Wade*

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