SEPTEMBER 30, 2021
ECONOMIC UPDATE

FINANCIAL MARKET UPDATE

The 3rd quarter saw higher volatility across asset classes. Equity Alternatives, Infrastructure and Real Estate led for the quarter, returning 2.0%, 1.3% and 0.8%, respectively. US Equities were more subdued with Large Cap returning 0.6%, while Mid Cap and Small Cap pulled back modestly, down -1.8% and -2.8%. Notably, Emerging Markets, had a volatile quarter, falling 8.1% with market growth cooling abroad and concerns arising regarding the Chinese real estate market. Fixed Income began the quarter on a positive note as yields moderated, however, towards the end of August, inflationary concerns came to the forefront again, leading to a flat finish.

The backdrop for growth continues to be positive, although, there are several factors that could cause volatility in the short-term. Concerns about breaching the debt-ceiling will continue to be a focus point through the new deadline in December and markets will be closely watching inflationary readings for clues as to whether the Federal Reserve changes strategy.

Asset Class	Q3 2021 Returns
Equity Alternatives	2.0%
Infrastructure	1.3%
Real Estate	0.8%
US Large Cap	0.6%
Multisector Bonds	0.3%
Core Bonds	0.0%
Developed International	-0.5%
US Mid Cap	-1.8%
US Small Cap	-2.8%
Emerging Markets	-8.1%

ECONOMIC STIMULUS RESPONSE

The Federal Reserve kept their benchmark interest rate at 0% and maintained their commitment to supporting growth and employment. In a break from previous meetings, the Fed signaled that they expect to begin tapering their pace of asset purchases by year-end. The first interest rate increase is expected to begin in late 2022 or early 2023. The Fed plans to be patient in pulling back stimulus and they have detailed how they are watching inflationary pressures closely. Any deviation from their current projected plan will be telegraphed to markets in advance.

EMPLOYMENT

After adding 1.1 million jobs in July, the labor market's pace of job gains cooled in August and September, adding 366,000 and 194,000 and missing expectations. Although still positive job progress, the prevalence of the Delta variant hampered stronger job numbers. The unemployment rate fell to 4.8% and the job market is now 2 million jobs shy of peak levels of employment seen in February 2020, prior to the pandemic. With improving case figures nationwide, job growth could pick-up as we head into year-end.

US ECONOMY

The US economy saw continued strong growth in the 2nd quarter of 2021, growing at a rate of 6.7%. Growth was led by the food service and hospitality industries. It is expected that the 3rd quarter will show growth, albeit at a slower pace, as the impact of the Delta varient likely moderated growth in some areas of the country. Despite this, annual growth is forecasted for 6.0% and growth is projected to remain above trend in 2022 and 2023.

LOOKING OUT

- Debate continues on both the American Jobs Plan (infrastructure) and the American Families Plan (social programs), with both the spending levels and associated tax changes associated with both programs unclear.
- Congress pushed the decision on raising the debt ceiling into December by agreeing to a temporary increase. Markets will be closely watching the debate and we expect compromise will be reached and that the ceiling raised prior to the deadline.

Although short-term volatility is expected into year-end, we remain optimistic overall. This economy presents both pros and cons to market growth. Recessionary risk, at this time, remains relatively low. The positives of further stimulus, strong consumer balance sheets, and economic reopenings will continue to be balanced against elevated equity valuations and the potential for higher persistent inflation and higher taxes.

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