

2021 1ST HALF REVIEW

JUNE 2021

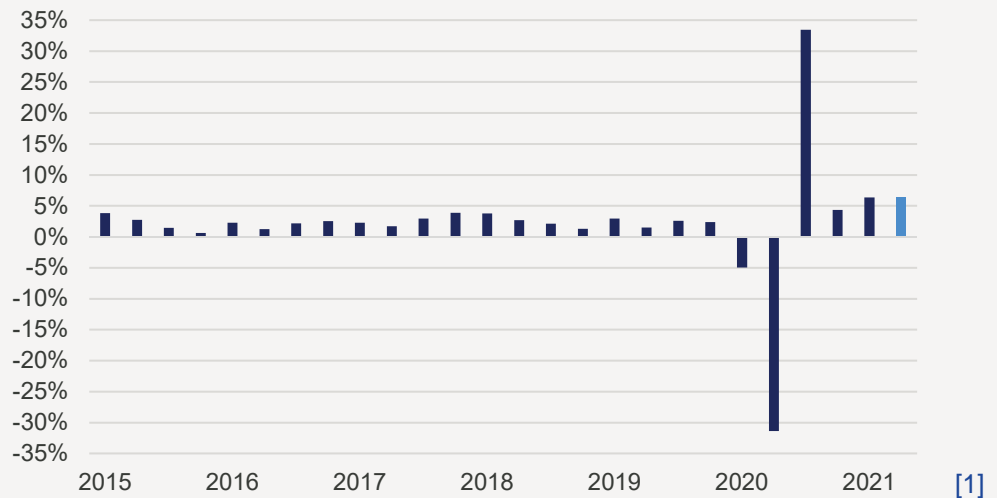


The world economies continued their recovery from the COVID pandemic. Economic sectors are recovering at differing rates as certain sectors are more adversely affected during the recovery.

U.S. GDP GROWTH:

The U.S. economy, as measured by GDP, grew by 6% during both the 1st and 2nd quarters of the year. This has brought the GDP, in dollars, back to pre-pandemic levels offsetting the drop due to the COVID mandated shutdowns. With the country opening back up, the worst appears to be behind us. Estimates for the balance of the year call for continued growth but at a reduced rate.

Quarter over Quarter Real GDP Growth 2015-2021



During the 2020 COVID shutdowns, the US economy shed **OVER 22 MILLIONS JOBS.**

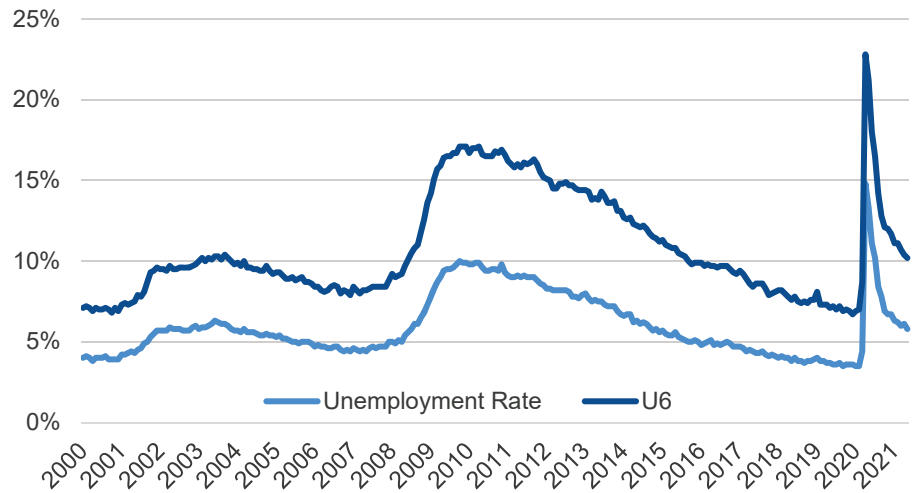
EMPLOYMENT:

During the 2020 COVID shutdowns, the U.S. economy shed over 22 million jobs. Since then, we have recovered 15 million leaving over 7 million more people without a job than in February, 2020. Studies indicate 2 million have retired while another 1.5 million are not planning to return to work and thus not considered “unemployed”.

EMPLOYMENT:

The unemployment rate had dropped to 3.5% in February, 2020 then spiked to 14.7% due to the shutdown, before dropping to 5.9% by June 30, 2021. Weekly claims for unemployment benefits had hovered around 200,000 - 230,000 for the past couple years before jumping to 6.7 million during the “stay at home” orders and have fallen to 1.3 million as of June 30, 2021.

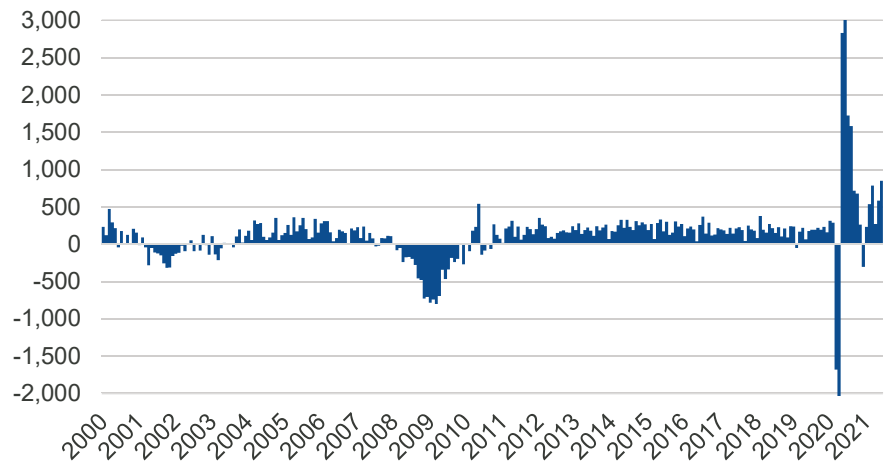
Unemployment Rate & U6 Unemployment: 2000-2021



[2]

The job market is going through many changes as the effects of being off work is being felt differently by individuals. There are over 2.5 million fewer workers in the leisure and hospitality sector than pre pandemic. Workers quitting their jobs is at the highest rate since 2000. At the same time, unfilled posted jobs are at an all time high. It will take time for the employment situation to shake out.

Monthly Change in Nonfarm Payrolls (thousands): 2000-2021

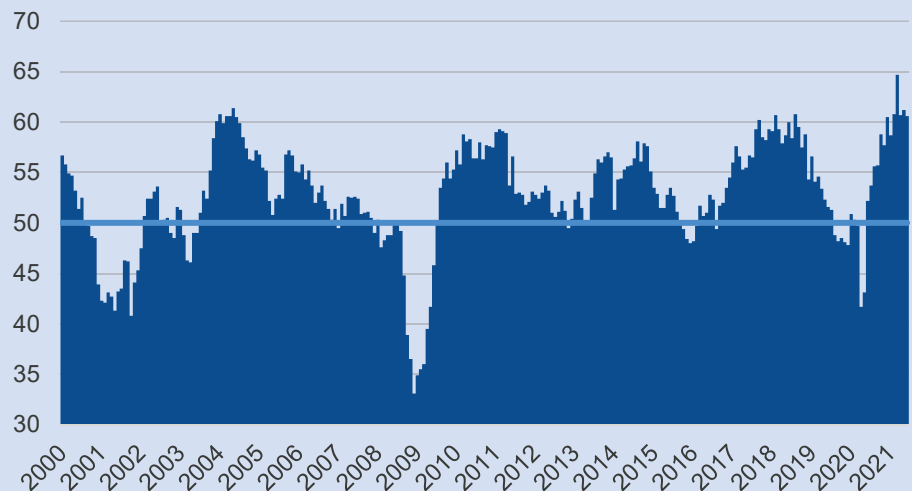


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MANUFACTURING:

The manufacturing PMI (Purchasing Manager Index) continues to show signs of strength, coming in above 60 for the 5th consecutive month. When the index is above 50, it signals an expansion in the manufacturing sector, while a reading below 50 indicates a contraction. It has rebounded from a low of 41.7 in April, 2020. The primary concern has been the flow of products through the supply chain.

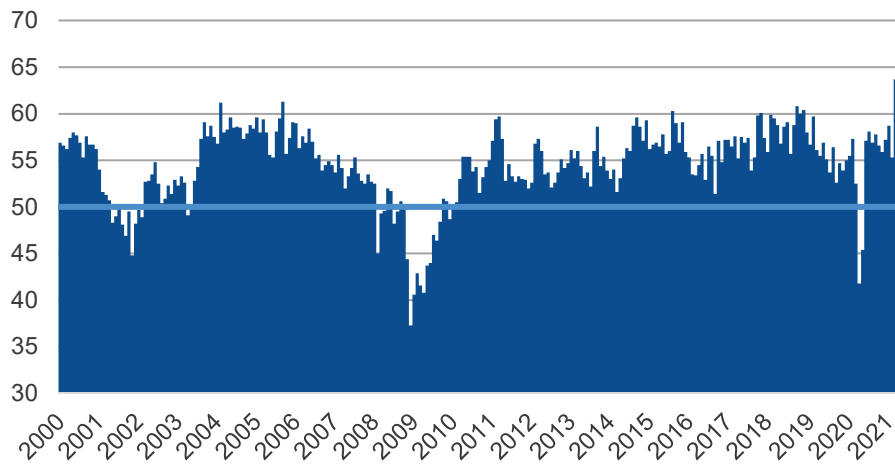
Purchasing Manager's Index (PMI): 2000-2021



[4]

SERVICES:

Non-Manufacturing Purchasing Manager's Index (PMI): 2000-2021



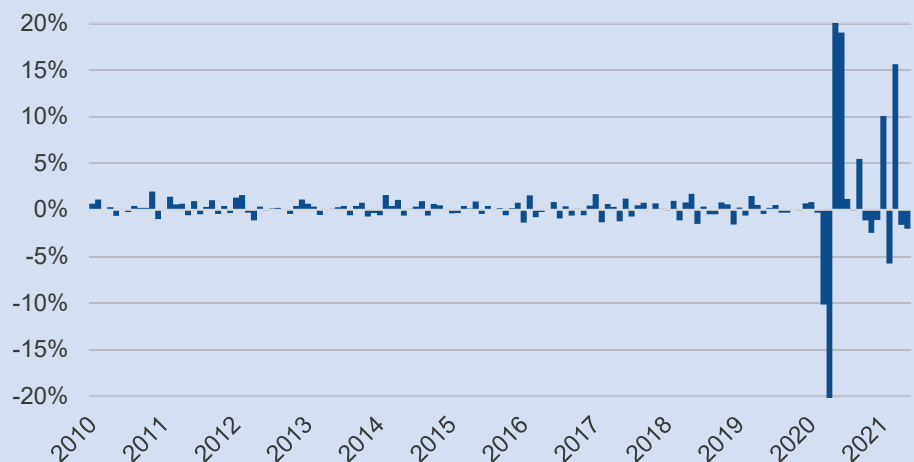
The non-manufacturing PMI tracks the service sector portion of the economy, which accounts for over 70% of the U.S. GDP. This index also shows signs of strength, coming in above 60 for the 4th consecutive month, rebounding from its low of 41.8 in April, 2020.

[5]

RETAIL:

**Month over Month Change in Sales: 2010-2021
General Merchandise, Apparel, Furniture, & Other**

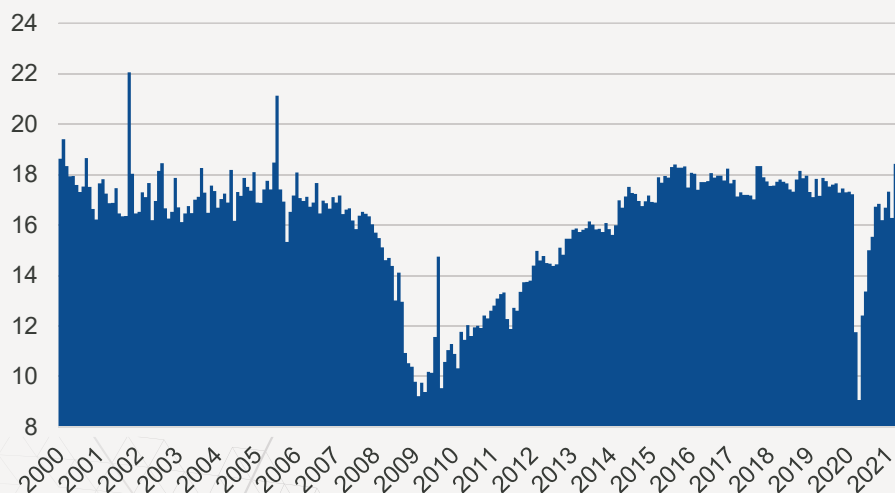
Monthly sales of general merchandise have rebounded in 2021 with May, 2021 sales up 15% over December, 2020. Households continue to spend, making up for the downturn of early 2020.



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AUTOMOBILES:

Total Vehicle Sales (millions): 2000-2021



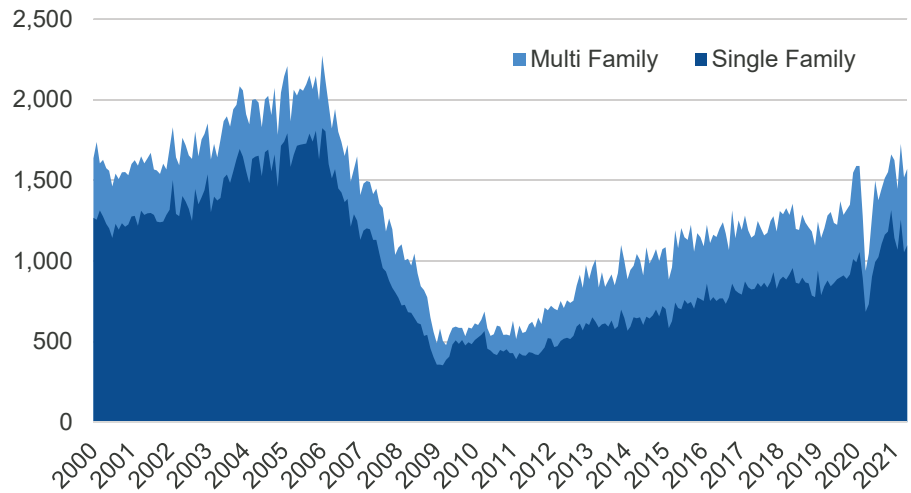
Sales of cars and light trucks have rebounded, as annual sales have averaged over 17 million for the first six months of the year. Concerns center on the availability of microchips which are used in almost all vehicles.

[7]

NEW HOME CONSTRUCTION STARTS:

New home sales have exceeded an annual pace of 1.5 million for the first five months of the year (June data not yet available). This is the highest pace since 2006. According to a recent study, there is still a shortage of more than 5 million homes.

New Private Housing Starts (thousands): 2000-2021

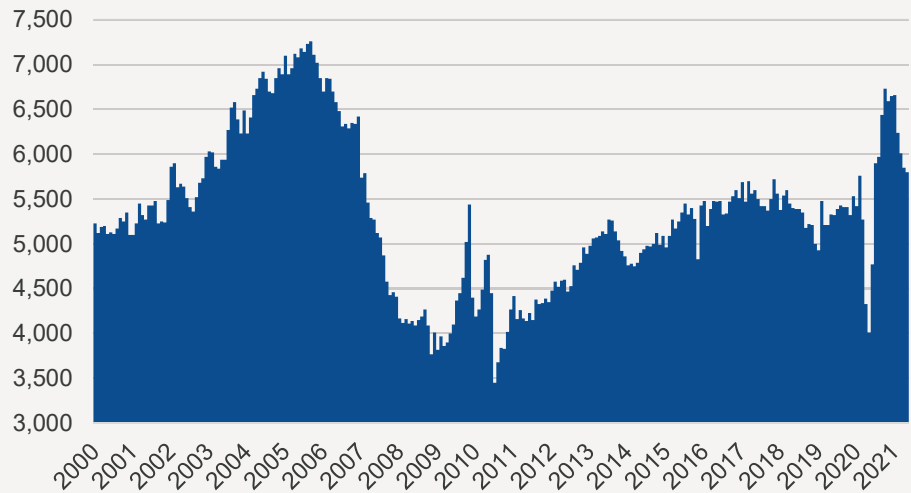


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SALES OF EXISTING HOMES:

Sales of existing homes exceeded an annual pace of 6 million for the first half of the year (June data not yet available).

Existing Home Sales (thousands): 2000-2021

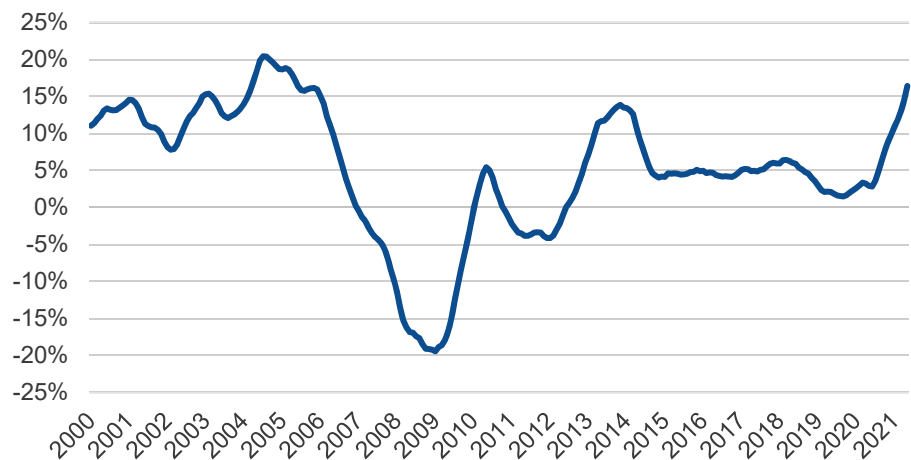


[9]

PRICE OF HOMES:

Home prices continue to rise. The average price of a home increased by double digits for the 6th consecutive month. The average price of a sold home is at an all time high.

Case-Shiller Home Price Index Year over Year Change: 2000-2021



[10]

MORTGAGE RATES:

30 Year Fixed Rate Mortgage: 2000-2021



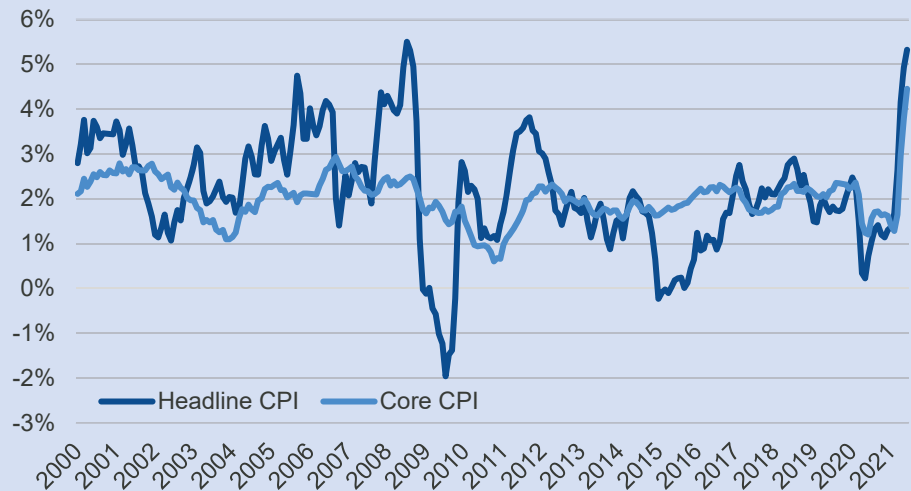
The interest rate on a 30-year mortgage was below 3% for the majority of the first half of 2021, giving support to the housing market. Lower rates also allow existing home owners to refinance and free up monthly cash flow which is good for households.

[11]

INFLATION:

Year over Year Change in CPI: 2000-2021

Inflation has become the biggest concern to the economy during the first half of the year, reaching 5% as of June, 2021. The debate is whether this is temporary or a pattern for longer term.

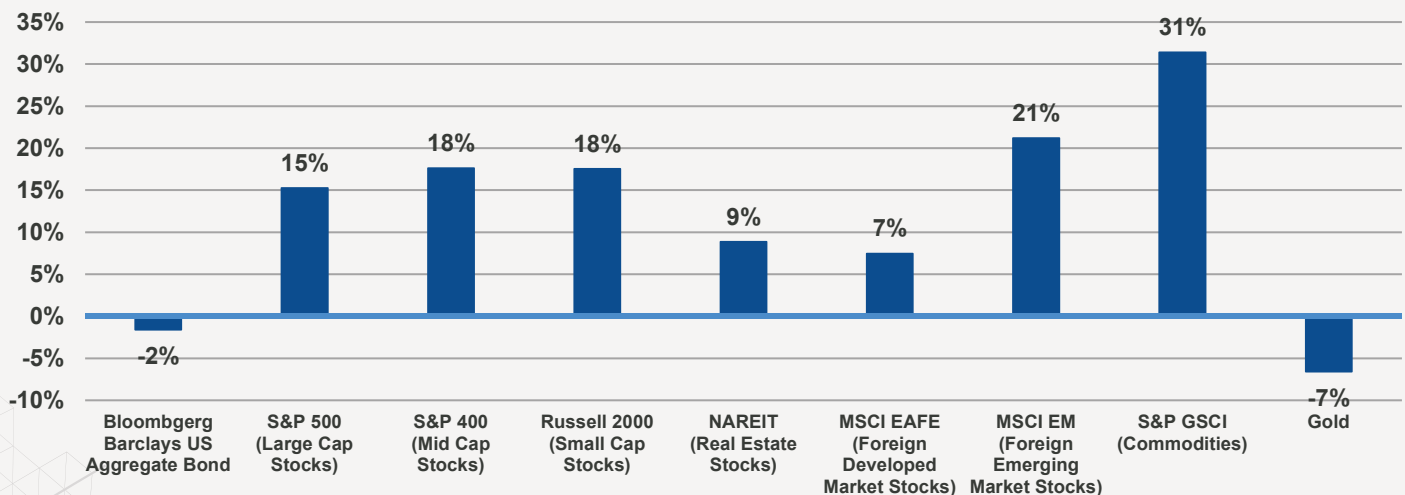


[12]

THE MARKETS:

Market returns for major indices during the first half of the year:

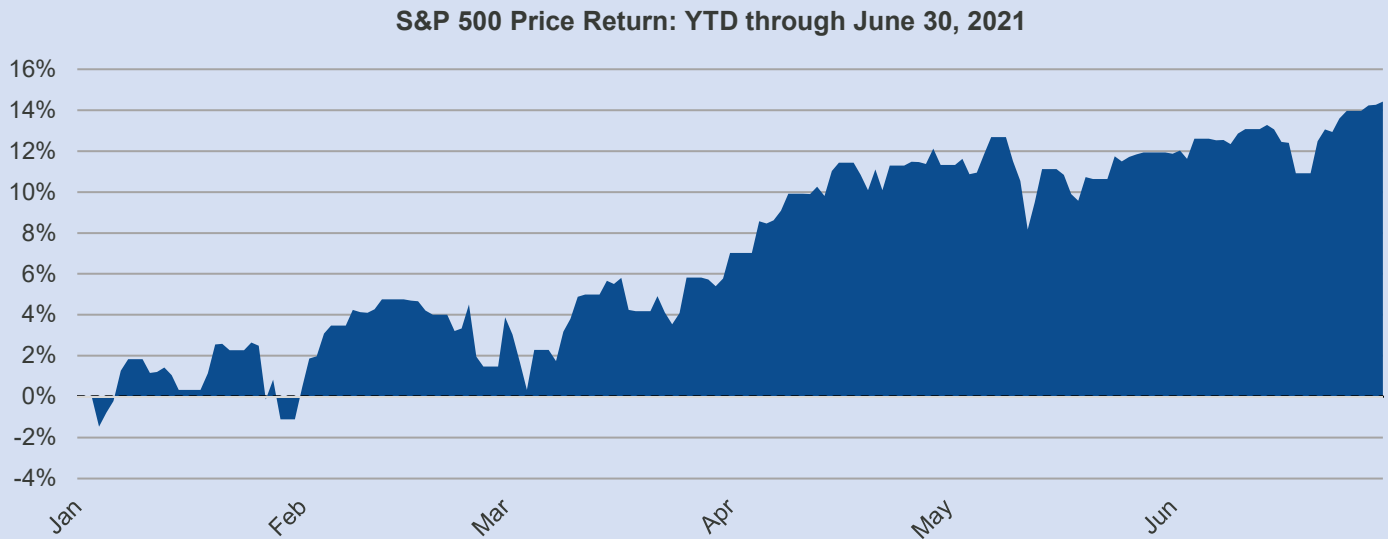
Select Market Total Returns Year to Date through June 30, 2021



[13]

THE MARKETS:

The S&P 500 (U.S. Large Cap Stock Market) has seen higher volatility but has rewarded those who can ride the ups and downs.



[14]

As the stock market continues to rise, the question is always asked – is it too high? Given money has to go somewhere, contrast cash paying zero, the 10-year Treasury paying 1.5% while the S&P 500 dividend yield pays 1.35% plus has upside growth potential. There were 34 record highs in the S&P 500 during the first six months of 2021. “High” markets do not preclude higher markets. Since 2000 there have been 4 significant market declines, yet the overall return has been positive. Investors are rewarded for investing in stocks over the long term.

CONCLUSION:

Our clients have been rewarded for staying the course during volatile times. Our team understands and analyzes their risk tolerance, how it relates to their asset allocation and how we can properly select specific securities for the long run to meet both their current needs as well as their longer-term goals. We may not know what the market will do in the short run, but we are prepared for what the markets give and can adjust as the need arises. If you would like to talk further, please feel free to reach out to one of us.

We appreciate the trust our clients place in us and strive to help them in all of their financial matters. If you know of someone who could benefit from our services, please let us know. We look forward to the remainder of the year!

By: Jerry VanderLugt CPA, CFP®, CVA



REFERENCES

- [1] Information obtained from Morningstar Direct: "FRED, Real Gross Domestic Product, Seasonally Adjusted Annual Rate , U.S. Bureau of Labor Statistics, Billions of Chained 2009 Dollars"
- [2] Information obtained from Morningstar Direct: "FRED, Civilian Unemployment Rate, Seasonally Adjusted , U.S. Bureau of Labor Statistics, Percent" & http://portalseven.com/employment/unemployment_rate_u6.jsp?fromYear=1994&toYear=2021
- [3] Information obtained from Morningstar Direct: ""FRED, All Employees: Total Nonfarm Payrolls, Seasonally Adjusted , U.S. Bureau of Labor Statistics, Thousands of Persons"& from Federal Reserves Bank of St. Louis: "Initial Claims, Number, Weekly, Seasonally Adjusted"
- [4] Information obtained from the Institute of Supply Management, accessed at <https://www.quandl.com>
- [5] Information obtained from the Institute of Supply Management, accessed at <https://www.quandl.com>
- [6] Information obtained from the U.S. Census Bureau: "Monthly Retail Trade and Food Services, Seasonally Adjusted Sales - Monthly [Millions of Dollars]"
- [7] Information obtained from Morningstar Direct: "FRED, Total Vehicle Sales, Seasonally Adjusted Annual Rate , U.S. Bureau of Economic Analysis, Millions of Units"
- [8] Information obtained from Morningstar Direct: "FRED, Housing Starts: Total: New Privately Owned Housing Units Started, Seasonally Adjusted Annual Rate , U.S. Bureau of the Census, Thousands of Units" & "FRED, Privately Owned Housing Starts: 1-Unit Structures, Seasonally Adjusted Annual Rate , U.S. Bureau of the Census, Thousands of Units"
- [9] Information obtained from Morningstar Direct: "FRED, Existing Home Sales, Seasonally Adjusted Annual Rate , National Association of Realtors, Number of Units"
- [10] Information obtained from Federal Reserve Bank of St. Louis: "S&P/Case-Shiller 10-City Composite Home Price Index, Index Jan 2000=100, Monthly, Not Seasonally Adjusted"
- [11] Information obtained from Federal Reserves Bank of St. Louis: "30-Year Fixed Rate Mortgage Average in the United States©, Percent, Weekly, Not Seasonally Adjusted"
- [12] Information obtained from Morningstar Direct: "FRED, Consumer Price Index for All Urban Consumers: All Items Less Food and Energy, Seasonally Adjusted , U.S. Bureau of Labor Statistics, Index 1982-1984=100" & "FRED, Consumer Price Index for All Urban Consumers: All Items, Seasonally Adjusted , U.S. Bureau of Labor Statistics, Index 1982-1984=100"
- [13] Information obtained from Morningstar Direct: Various Market Returns through June 30, 2021
- [14] Information obtained from Morningstar Direct: S&P 500 Price through June 30, 2021



1535 44th St SW, Suite 400
Wyoming, MI 49509
616.261.2800
www.jvlwealth.com