NADLER FINANCIAL GROUP

*Investment and Financial Consultants*

Nadler Financial Group, Inc.
155 North Pfingsten Road • Suite 160
Deerfield, Illinois 60015-4903
Phone: 847.940.4040 • Fax: 847.940.7246
www.nadlerfinancial.com

# SECOND QUARTER 2021 ECONOMIC AND FINANCIAL MARKETS REVIEW

The stock market became a bit more volatile during the second quarter, but the uptrend that began last year continued. The re-opening of the economy increased the profits of most businesses and created optimism for future growth. Many companies also reported better than expected year-over-year earnings due to easy comparisons to this time last year. Additionally, the Federal Reserve Board continued to stimulate the economy by keeping interest rates near zero and printing large amounts of money on a monthly basis. Along with monetary stimulus from the Fed, substantial fiscal stimulus from Congress continued with additional infrastructure spending seen as a positive for the economy and the stock market. As a result of these policies, the S&P 500 Index finished the first half of this year up 14.41%, while the Dow Jones Industrial Average gained 12.73%. The Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index declined .90% during the first half of 2021.

Infrastructure spending is expected to help the economy and the stock market in several ways. First, repairing and building roads, bridges, and other structures creates jobs for construction workers, engineers, and architects. This, in turn, leads to increased business activity for businesses that supply those workers with equipment, supplies, and even food. This boost to economic activity should result in additional hiring and a further increase in corporate profits. Also, companies that produce raw materials used in the construction of infrastructure projects will see greater demand which should lead to additional job growth and rising incomes in the commodities and materials industries.

Meanwhile, the Fed is keeping interest rates near zero, which helps businesses and consumers to borrow money at lower rates to buy homes, cars, and even stocks. Low interest rates have led to increased home sales, a home refinancing boom, and a significant increase in the amount of leverage being used to buy securities in the financial markets. It also reduces the interest that investors can earn on most fixed-income investments, so more money gets re-allocated from the bond market into the stock market.

Of course, the increased fiscal and monetary stimulus does not come without a cost. For example, if the U.S. government spends too much borrowed money on infrastructure, its creditors (bond buyers) may start to demand a higher interest rate. If this happens, interest rates in the U.S. bond markets can increase, making it more expensive for businesses and consumers to borrow. Interest rates on mortgages, car loans, etc., would likely increase. Higher interest rates may also cause investors to re-allocate money out of stocks and back to fixed-income investments in search of better yields.

If the Fed continues its easy-money policies, it could exacerbate inflation which has already become a concern for many economists. Higher inflation would lead to higher interest rates and economic problems as well. Up to this point, the Federal Reserve Board has indicated that inflation is only "transitory" and should diminish soon. They say that recent inflationary figures have been driven by a lack of supply for certain products and raw materials due to the pandemic.

However, if the rising costs of goods and services continue, it could create economic stagnation as consumers will no longer be able to keep up their current spending levels. Therefore, the Fed needs to be careful and potentially reign in monetary stimulus by raising interest rates and printing less money to avoid inflation getting out of control. Removing monetary stimulus would also create a headwind for the stock market.

*Investment advisory services offered through Nadler Financial Group, Inc., a registered investment advisor. Securities offered through Ausdal Financial Partners, Inc., Member FINRA/SIPC, 5187 Utica Ridge Road, Davenport, IA 52807. Phone: 563.326.2064. Nadler Financial Group, Inc. and Ausdal Financial Partners, Inc. are independently owned and operated.*

Our outlook for the stock market is currently neutral as the positive re-opening of the economy will continue to be offset by the potential for higher inflation and higher interest rates. We continue to prefer large companies that pay dividends, because they tend to be less volatile than small companies, particularly when the stock market becomes unstable. Small companies performed well in the first quarter this year, but their performance has recently tapered off. We still like investing in gold as an inflation hedge, and we are looking into other commodities that may stand to benefit from rising inflation. Finally, we are steering clear of long-term bonds, which will likely continue to lose value if interest rates rise.

As always, we will continue to monitor ongoing economic and financial market conditions. In the meantime, please contact us if you have any questions regarding your investment portfolio or the financial markets in general.

* *Index returns were obtained from the Wall St. Journal and Bloomberg Barclays on July 1, 2021.*

*Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Nadler Financial Group, Inc.), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from Nadler Financial Group, Inc. Please remember to contact Nadler Financial Group, Inc., in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing /evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Nadler Financial Group, Inc. is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the Nadler Financial Group Inc.'s current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request, or at www.nadlerfinancial.com.*

*Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational / comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your Nadler Financial Group, Inc. account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your Nadler Financial Group, Inc. accounts; and (3) a description of each comparative benchmark/index is available upon request.*