



Investors Flock to Stocks Pushing Other Asset Classes to Record Valuations

August continues the trend of all-time highs for the equity markets, which is boosting confidence in derivatives, cryptocurrencies, and other alternative investments. The combination of strong consumer demand, impressive Q2 quarterly earnings, and economic optimism pushed the Dow Jones, Nasdaq, and S&P 500 to record highs, thanks in large part to outperformance by many financial stocks, including American Express and Goldman Sachs.

The economic optimism in the stock market was bolstered by hopes that the Fed will taper their asset purchase program and be more flexible with future stimulus plans. However, many strategists believe that the Fed will continue the “wait and see” approach.

Retail investors who have extra capital to deploy may want to focus their research and investments strategy on exploratory asset classes such as commodity ETF's or REIT's to participate in both the growth in these investments as well as a hedge against inflation.



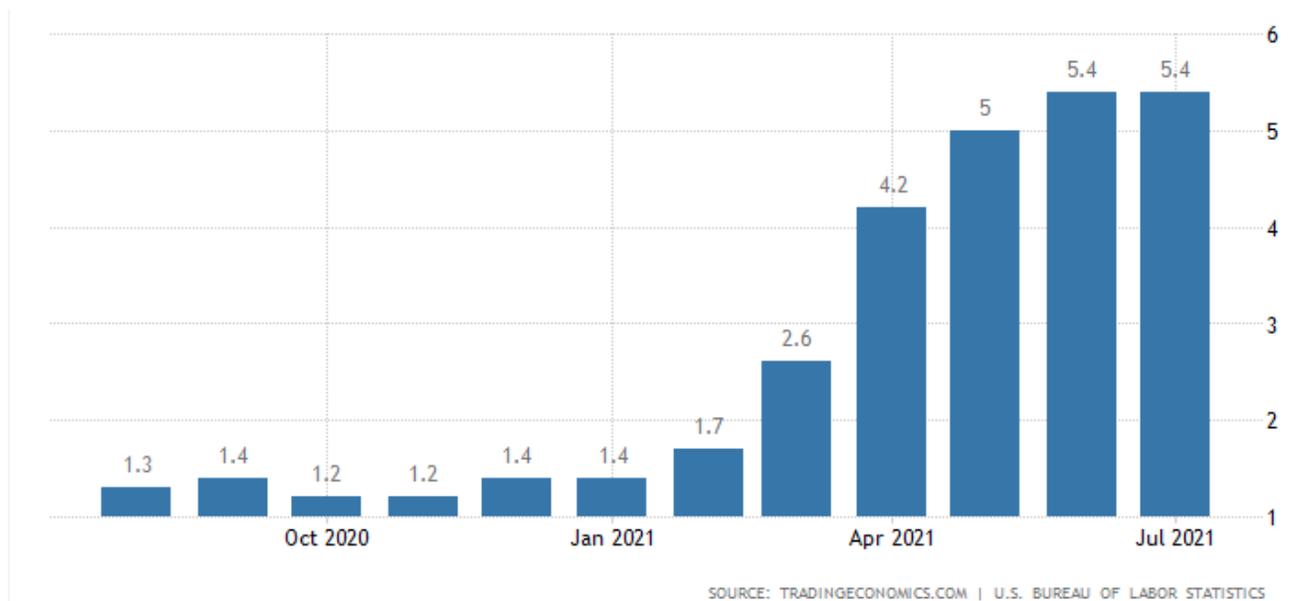
Inflation surged, but the Fed believes it is transitory

At its core, inflation measures how much consumers pay for everyday goods such as food, clothing, and fuel. The Consumer Price Index (CPI) measures how much a “basket” of goods would cost at a given time, and how much that price varies is what we call inflation. As of July 2021, the inflation rate stood at 5.4%, the same as in June.

Inflation's effects can be seen as used car prices are up 10% this year, and due to the economic reopening, travel and restaurant expenditure have shot up. Many economists use core inflation as a more accurate measure of inflation because it excludes food and fuel because those products can experience extreme price volatility compared to other consumer goods. If we look at core inflation, it rose 0.3% last month vs. the forecasted 0.4%.

What does this mean for consumers?

According to an interview with Seema Shah, chief strategist at Principal Global Investors, "Today's CPI data should help assuage investor fears that the Fed is too laid-back about inflation pressures; the details of the data release suggest some easing in the reopening and supply-shortage driven boost to prices, and tentatively suggests that inflation may have peaked. Investors in the transitory camp will feel slightly vindicated."



[\(link\)](#)

Mortgage rates drop, but applicants are still wary

The U.S. housing market is still red hot in many regions, but new mortgage applications are slowing down. Mortgage rates steadily increased over the last few weeks to an average of 3.06% before dropping to 3.03%. Despite the interest rate drop, data collected by [CNBC](#) indicates that new mortgage applications are down 16% from this time last year, even though they are up 3% from mid-August.

Applicant hesitancy may be the result of a continued spike in home prices which are keeping first-time home buyers on the sidelines until supply increases or prices dip. Refinancing applications are up 3% from the same time a year ago, indicating that the rate decrease will have a positive economic impact on current homeowners.

Strong U.S. business equipment spending despite flat orders

An interesting combination of supply bottlenecks and consumer demand resulted in a flat July for new orders of American-made capital goods. Many manufacturers are still feeling pressure from consumers to meet their demand for new cars, computers, and other electronics although a global semiconductor and chip shortage has hindered production

According to [Reuters](#), “Business spending on equipment notched four straight quarters of double-digit growth, helping to power the economy's recovery from a short and sharp COVID-19 pandemic recession, driven by strong demand for goods, thanks to record-low interest rates and massive fiscal stimulus. July's slowdown in core capital goods orders likely reflected supply chain bottlenecks as well as the rotation of spending back to services from goods. There were decreases in orders for computers and electronic products. An ongoing global semiconductor shortage has hampered production of these goods.”

In the same report, economists believe that strong demand matched with delayed production will lead to consistent manufacturing growth through 2022 as supply constraints ease, and inventories for finished products are replenished.

What does this mean for consumers? If you have a new car, computer, or other manufactured items on order, there may still be delays for final delivery.

With Summer drawing to a close, it's time for a tax checkup

Although tax season may seem to be in the distant future, summer is always a great time to get ahead on some simple tax strategies to save both time and money through the end of the year:

- Increase your 401(k) and other retirement contributions if you can. Every extra dollar you can save and invest for the future will enjoy the power of compound returns.
- Keep careful track of your charitable donations. While the recipients of your donations may be very grateful for your generosity, you should still enjoy the tax benefits of the largest write-off possible. If you have a habit of donating without accurate records, now is a great opportunity to identify the exact dollar amount you donated.
- One of the best ways to avoid tax surprises is to be proactive. If you are self-employed or have additional side income, you may want to catch up on quarterly tax payments so that you aren't hit with a surprise tax bill.

News at Lake Street

We have added a new advisor to the team! On August 20th, Anuj Grover joined Lake Street departing from Wells Fargo. To learn more about Anuj's experience, accreditations, and personal interest, check out his profile [here!](#)

Articles We're Reading

Hybrid Workplace: Designing A Long-Term Strategy For The Future Of Work... [\(link\)](#)

Blackrock's former sustainable investing chief now thinks ESG is a 'dangerous placebo'... [\(link\)](#)

Jobless claims drop to pandemic low of 348,000 in sign companies still hiring despite delta... [\(link\)](#)

Market Snapshot

For the Month Ending 8/31/2021 (Cumulative Returns)¹

United States Markets	1-Month	3-Month	YTD	1-Year
Dow Jones Industrial Average	1.22%↑	2.41%↑	15.53%↑	24.38%↑
S&P 500	2.90%↑	7.58%↑	20.41%↑	29.21%↑
The NASDAQ Composite	4.00%↑	10.99%↑	18.40%↑	29.59%↑
U.S. Mid Cap	2.58%↑	4.34%↑	18.80%↑	38.20%↑
U.S. Small Cap	2.00%↑	0.49%↓	14.96%↑	43.61%↑

Global Markets	1-Month	3-Month	YTD	1-Year
Nikkei 225	2.95%↑	2.67%↓	2.35%↑	21.39%↑
Hang Seng	0.32%↓	11.23%↓	4.97%↓	2.79%↑
Shanghai Comp	5.00%↑	1.59%↓	2.71%↑	4.59%↑
FTSE 100	1.24%↑	1.38%↑	10.20%↑	19.39%↑
DAX	1.87%↑	2.68%↑	15.43%↑	22.32%↑

Fixed Income	1-Month	3-Month	YTD	1-Year
Corporate Bonds	0.37%↓	3.30%↑	0.72%↓	2.20%↑
Municipal Bonds	0.36%↓	0.57%↑	1.17%↑	2.83%↑
High Yield Bonds	0.59%↑	1.89%↑	3.68%↑	8.14%↑

Market Indicators	Rate	Market Indicators	Value
10 Year Treasury	1.30%	WTI Crude Oil	68.50
Fed Funds Target	0 to 0.25%	Gold - Spot Price	1,813.01
Inflation Rate	5.4%	U.S. Dollar	92.63
Unemployment Rate	5.4%	CBOE Volatility Index	16.48

¹Source – Morningstar, Inc. Corporate Bonds is presented as the iShares iBoxx \$ Investment Grade Corporate Bond ETF. Municipal Bonds is presented as the iShares National Municipal Bond ETF. High Yield Bonds is presented as the iShares iBoxx \$ High Yield Corporate Bond ETF. 10 Year Treasury refers to the valuation of a 10 Year Treasury Note, a debt obligation issued by the U.S. Department of the Treasury. Fed Funds Target represents upper limit of the federal funds target range established by the Federal Open Market Committee. Inflation Rate provided for the purposes of this report by the U.S. Bureau of Labor Statistics. Unemployment Rate calculated by the U.S. Bureau of Labor Statistics. WTI Crude Oil refers to the price of a barrel of West Texas Intermediate (NYMEX) Crude Oil. Gold – Spot Price relates to the valuation of an ounce of gold, as traded on the NYSE Arca Exchange. U.S. Dollar refers to the U.S. Dollar Index (DXY). All Returns are denominated in USD (United States Dollar), unless otherwise explicitly noted.

Did You Know?

Tim Cook has been Apple's CEO for a decade:

Apple is currently the most valuable publicly traded company in the world, valued at over \$2.4 trillion. The software behemoth was famous for its radical new technology such as the Macintosh, iPod, iPhone, and iPad. However, many of these developments were brought on by Apple's founder, Steve Jobs. When Jobs stepped down to make way for Tim Cook, he famously told him never to ask "What would Steve do?" Cook took the advice and grew Apple into the giant it is today. . . .[\(link\)](#)

A few highlights from Cook's tenure include:

- Tripled annual revenue from 2011 to 2021
- Grew Apple's share price by a 32% annual rate of return compared the S&P 500's 16%
- Balanced innovation with business strategy by growing their service business from \$2.95 billion in 2011 to over \$53.7 billion in 2020.

Returns over the past decade



Note: Chart shows share price change since August 23, 2011. Data is monthly.
Source: FactSet. As of Aug. 23, 2021.



Chart from [CNBC](#)

Presented by the Investment Committee of Lake Street, an SEC Registered Investment Adviser

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