



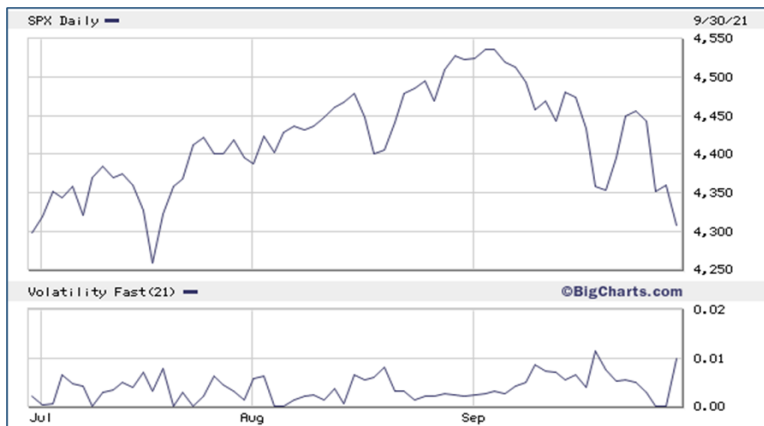
~ Prevailing Winds ~

A Quarterly Market Update

September 30, 2021

Quarterly Recap:

It was not the summer that most people dreamed of. Most anticipated that the push towards vaccination and a general decline in Covid would finally bring about a return to "normalcy" and something to celebrate. By the Fourth of July, however, the fireworks shows ended with only tepid applause due to the dreaded Delta variant. The financial markets remained buoyant until September, when the optimism finally succumbed to the realization that markets cannot simply continue to rise while facing increasing risks and uncertainty.



Quarter Ending September 30, 2021

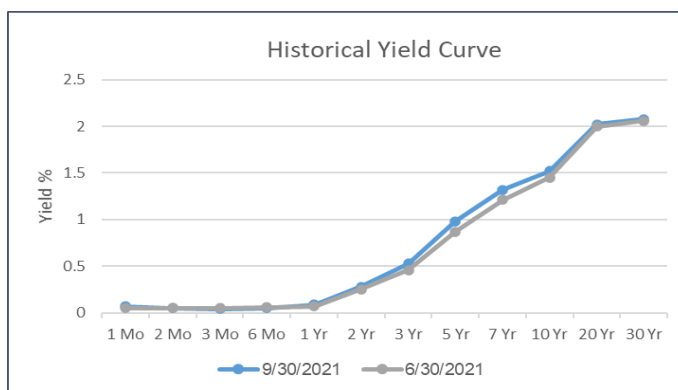
Equity Indexes	Close	% Change
DJIA	33834.24	-1.9%
S&P 500	4307.54	0.2%
NASDAQ	14448.58	-0.4%
Treasuries	Close	Change
10-Year Yield	1.52%	0.07
2-Year Yield	0.28%	0.03

The Stock Market:

The third quarter raised a number of questions. For much of the year, the equity markets seemed largely unphased by bad news. Strong corporate earnings and investor demand kept prices climbing higher with few interruptions. In September, there seemed to be a palpable shift. What if inflation is not really short-lived? Will Washington provide surprises? Could something occurring in China affect the U.S.? In effect, investors are becoming more sensitive to risk. This could be the sign of the long awaited correction...or just a healthy pause.

The Bond Market:

Interest rates remained mostly unchanged during the third quarter. The economic news painted a mixed picture of the economy. All eyes focused on the Federal Reserve to telegraph whether they will focus on price stability (controlling inflation) or continue to support the economy and employment. In the end, the Fed did a good job of not committing to anything specific. Unfortunately, this ambiguity could easily rile the bond and equity markets as we continue through the end of the year. Vigilance and patience will be required.



Looking Ahead:

We are quite convinced that the clock is indeed speeding-up. The fourth quarter has arrived and we are sprinting our way towards 2022! While the pandemic remained a central theme for investors, we anticipate that Washington will be the lynchpin in the weeks and months ahead. The stakes remain high as key spending bills work through a dysfunctional Washington machine. The results may have consequential impacts on interest rates, corporate earnings, and the overall trajectory of the economy. Buckle-up.

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