

Weekly Market Commentary August 2, 2021

The Markets

The Chinese dragon cast a shadow over free trade and foreign investment last week.

For decades, investors have recognized the investment potential of China. Since the country opened to foreign trade and investment in 1979, its economy has grown rapidly. Through 2018, its gross domestic product (GDP), which is a measure of economic growth, increased by 9.5% a year, on average, according to the United States Congressional Research Service.

The country's gradual economic development lifted millions out of poverty. In 2020, about 20 percent of the world's middle class lived in China. China's middle class has an appetite for goods and services that rivals that of America's middle class, creating demand for a wealth of goods and services, reported the Brookings Institute.

In recent months, investors have been unsettled as Chinese authorities aggressively implemented new regulations for its online education industry and its technology companies. Austin Carr and Coco Liu of *Bloomberg* reported:

“President Xi’s government has outlined sectors it wants to prioritize, including semiconductors and artificial intelligence. Xi has called the data its tech industry collects ‘an essential and strategic resource’ and has been pushing to tap into it for years.”

In early July, the Cyberspace Administration of China launched an investigation of the nation’s largest ride-hailing service company for monopolistic behavior. A month before, the company had raised \$4.4 billion when it listed shares on the New York Stock Exchange. Jing Yang of *The Wall Street Journal* recently reported the company is considering delisting in an effort to placate Chinese authorities and compensate investors for losses.

Last week, “The selloff in Chinese stocks went from an orderly pullback to a full-blown panic...after China told its for-profit education companies that they would have to become nonprofits,” reported Ben Levisohn of *Barron’s*.

The *Securities and Exchange Commission* responded by announcing that it would stop processing registrations of U.S. IPOs and other sales of securities by Chinese companies until specific requirements were met.

The Shanghai Composite Index finished the week lower, as did major U.S. stock indices, reported *Barron’s*. The yield on 10-year U.S. Treasuries closed lower, too.

Data as of 7/30/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.4%	17.0%	35.4%	16.2%	15.2%	13.1%
Dow Jones Global ex-U.S.	-0.2	6.3	25.4	6.4	7.4	3.3
10-year Treasury Note (Yield Only)	1.2	NA	0.5	3.0	1.5	2.7
Gold (per ounce)	1.5	-3.3	-6.7	14.3	6.2	1.2

Bloomberg Commodity Index	0.6	23.4	41.1	4.1	3.0	-5.2
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S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; Federal Reserve Bank of St. Louis; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

READY TO COMPETE? Watching the Olympics sparks the competitive spirit in many people. If you're looking for a way to compete, try taking this financial literacy quiz. If you like, you can create your own event by having family and friends test their knowledge, too.

1. Which of the following does Experian say is the most important to your credit score?
 - a. Payment history
 - b. Amount owed
 - c. Credit history length
 - d. New credit applications

2. Which has the most risk, according to *Investopedia*?
 - a. Owning a diversified portfolio of small, large and mid-sized company stocks
 - b. Owning the stock of a large company
 - c. Owning a portfolio of technology company stocks
 - d. Owning a portfolio of small company stocks

3. If you put \$100 in an account that earned 5 percent interest each year, how much would the account be worth after 10 years?
 - a. About \$105
 - b. About \$150
 - c. About \$160
 - d. About \$180

4. When shopping for chicken noodle soup, which of the following is the best value?
 - a. The store's brand
 - b. The can with the highest discount
 - c. The can with the lowest price per ounce
 - d. The can with the lowest price in the size you need

You'll find the answers below. When you have any financial or money questions, please get in touch.

Weekly Focus – Think About It

“An investment in knowledge pays the best interest.”

—Benjamin Franklin, American statesman

(1) A; (2) B; (3) C; (4) C

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- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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- * You cannot invest directly in an index.
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