QUANTITATIVE ASSET MANAGEMENT, LLC
Investment & Advisory Services

July 12, 2021

Quarter Ending June 30, 2021

Year-to-Date Performance	YTD Index	Close
Dow Jones Industrial Average	4.61%	34,920.07
NASDAQ Composite Price	9.49%	14,695.01
Standard & Poor's Averages	8.17%	4,377.66

As the second quarter comes to a close, the broad-based equity markets continue to hit new record highs. The overall market momentum continues to be supported by the Federal Reserve's accommodative policies and the trillions of dollars in stimulus payments injected directly into the economy.

As is usually the case, the summer months tend to be uneventful, and this year is no different. Stocks have now gone without a -5% drop since last autumn. Some investors have probably become a bit complacent; however, there is the possibility of some significant policy changes that could affect investor sentiment and the investment markets.

The U.S. added 850,000 jobs in June. That is up from 583,000 in May and 278,000 in April. The employment trend is moving in the right direction; but, at the current rate, it will take a full year for unemployment rates to hit pre-pandemic levels. The good news (or bad, if you look at it from an employer's perspective) is that there are a reported 9.2 million current job openings.

On the flip side, there are still 14 million people receiving some form of government payment/stimulus. A lot of states have already started cutting off some direct payments: in September, some 9 million people will be coming off government unemployment. Investors will be keeping a close eye on how quickly job vacancies will be filled.

The other main focus for investors is the Federal Reserve. More specifically, what kind of policy changes the Fed might implement to fight future inflation. As we have pointed out in previous letters, the Federal Reserve and its policies have been very accommodative and have supported the robust equity markets and economy. The liquidity injections and low interest rates have started to put some significant upward pressure on pricing and inflation numbers. To combat this move, the Federal Reserve has started to hint that they might start tapering some of their "accommodative" policies.

Overall, we do not see any kind of major recession or long-term market correction on the horizon. World economies should continue to post strong GDP numbers, especially when compared to last year's slump. Fiscal stimulus from governments and accommodative Fed policies should also keep economies afloat for the foreseeable future. It is also important to note that cash on corporate balance sheets has never been at a higher level.

The one major change we see coming is the return of volatility. Having reached the midpoint of summer, we expect markets to become a bit more volatile. After such a strong run, a period of market corrections and consolidation would be healthy. It is very difficult to predict what might bring about the correction. It will most likely be hedge funds and institutions trading around statistical data points like interest rates, inflation, and the future of Fed policies.

We hope everyone is having a great summer and enjoying the fact that things are moving back toward normal!

Jeffrey L. Farni, Sr.

John C. Farni