

August 2021

Welcome Back, Carter



The late 1970s was the time when Mr. Kotter and his Sweathogs entertained us while President Jimmy Carter led us. Fast forward 50 years, commodity prices (everything from natural gas to cotton to gold) are escalating at a pace not seen since the Carter administration. Stagflation, the combination of high inflation and stagnant economic growth, defined that era and some market watchers are starting to weigh whether we could be heading for stagflation again.

Nominal GDP, which reflects real economic growth ("real GDP") and inflation, is at a record high. Real GDP, though, is weak. It doesn't take a PhD in economics to recognize that the difference is inflation. Inflation is what you get when unprecedented stimulus by the government creates demand while forced shutdowns reduce supply and this is exacerbated by central banks adding lots of new money to the economy.

While the US may go through a brief period of stagflation, this is nothing like the painful 1970s, (not just because of bellbottom pants and overly permed hair). While we don't expect inflation pressures to disappear quickly, we do expect volatility in economic growth numbers. As we are often reminded, "waves happen."

To inform investment decisions and grow your wealth, we continue to rely on a disciplined methodology. We look at risk and return both strategically and protectively. Strategically, through good offense, we combine different types of asset classes to create an allocation with a high probability of delivering the growth you seek, while guarding against unnecessary risk. Protectively, through great defense, we incorporate data to flexibly respond to market information and to guard against losses.

Progress on Investment Accounts

During July, U.S. stock and bond markets were volatile and ended with very small gains. Zuma Wealth accounts outpaced the broad benchmarks due to growth oriented stock holdings and interest sensitive bond holdings, in the form of long duration U.S. Treasury bond funds.

We thank you for your loyalty and trust. You can contact us anytime.



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