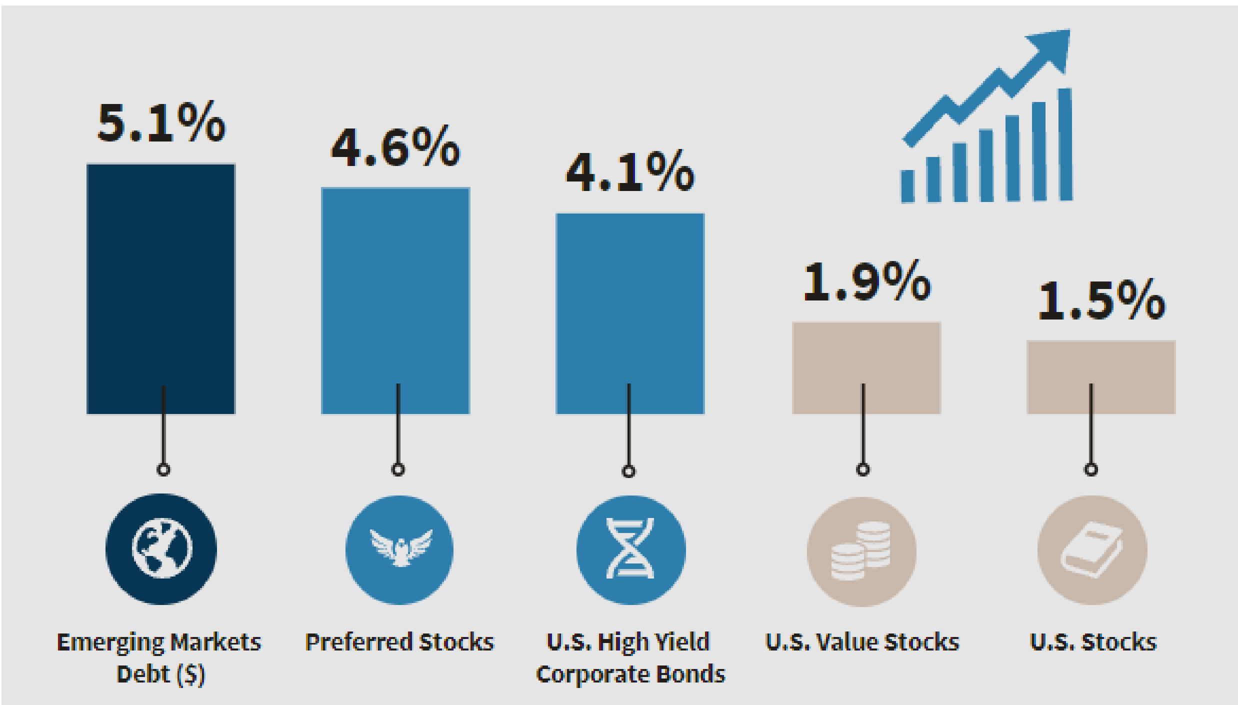
October 2021

Watching the Federal Reserve Bank (the "Fed") is once again a favored pastime of market observers. The Fed, led by Jerome Powell, has indicated it is poised to end its bond-buying program soon. By reducing purchases, demand for bonds falls, pushing bond prices down and interest rates up. The response has been lukewarm: interest rates are still lower than they were 6 months ago, but higher than they were 6 weeks ago. Most experts agree that interest rates will likely grind higher through the end of 2021 and beyond.

Generating Income in a Low Interest Rate Environment

Despite a broadly low interest rate environment, investors can still earn income strategically. The highest yielding asset classes are emerging markets debt, preferred stocks and U.S. high yield corporate bonds, all creating 4-5%. U.S. value stocks yield more than the most watched bond benchmark, the U.S. Agg. The S&P 500 generates about a 1.5% dividend yield, the same as the 10-year Treasury, but with the opportunity for greater capital appreciation. The chart below shows more detail, and a one-page summary of the facts can be found at www.ZumaWealth.com.



Progress on investments and strategies

While the broad stock market averages started the month near record highs, September was generally unproductive as the widely watched S&P 500 registered its largest fall of the year so far, shedding nearly 5%. As we often say, investments take the stairs up and the elevator down, meaning they fall more quickly than they rise; a 5% drop can occur over weeks or even days while a 5% gain typically takes months.

Just last month, we wrote that a 5% drop in stocks should be expected shortly. Why? A decline of this degree is typical in any year and had not yet registered in 2021. Looking beyond the short-term worries that are afflicting investors, the global economic environment may be favorable for investors. The Organization for Economic Cooperation and Development (OECD) forecasts that every one of the 45 major economies in the world will grow in 2022. With high quality stocks priced lower than they were just a month ago, the market is starting to see buyers. Inaction, avoiding risk, is not the solution. Returns can always be earned by strategic, goal-oriented allocations.

“There are risks and costs to action. But they are far less than the long-range risks of comfortable inaction.”

- JOHN F. KENNEDY

Progress on investments

Towards the end of September, for certain strategies we initiated positions in a low-volatility dividend stock ETF, a tactical Beta ETF and a closed-end flexible income fund. We steward investment holdings with the two goals of growing wealth to goal returns while guarding it against targeted risk. We look at risk and return both strategically and protectively. Strategically, through good offense, by combining different asset classes we create an allocation with great prospects for 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.

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

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