



WELCOME

# Quarterly Economic and Market Update

- **We'll begin at the top of the hour**
- **Please have your computer speakers turned on**  
All audio is streamed directly through the console and heard through your computer speakers. There is not a dial-in number.
- **For technical support, please use the Q&A window**

---

The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.

Assurance, tax, and consulting offered through Moss Adams LLP. Investment advisory offered through Moss Adams Wealth Advisors LLC.

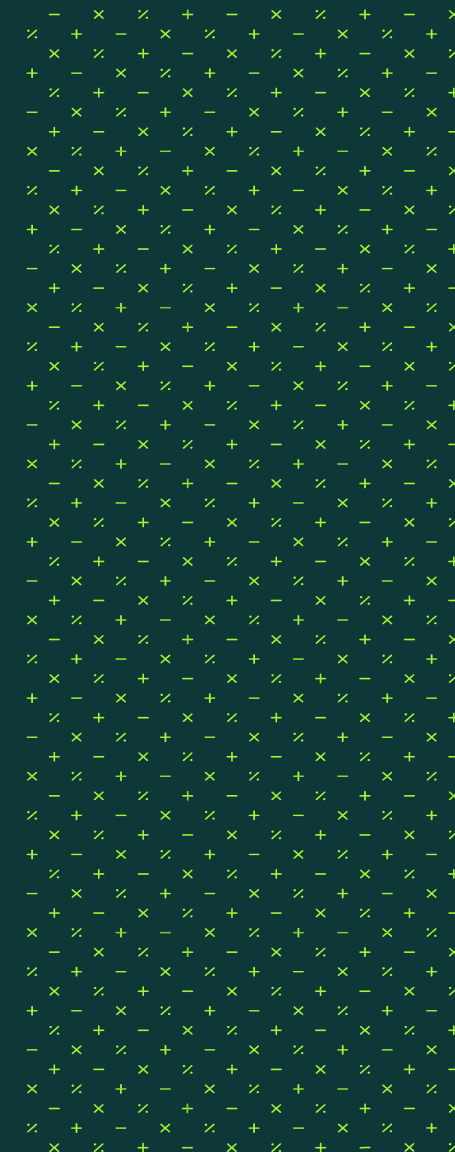


MOSSADAMS

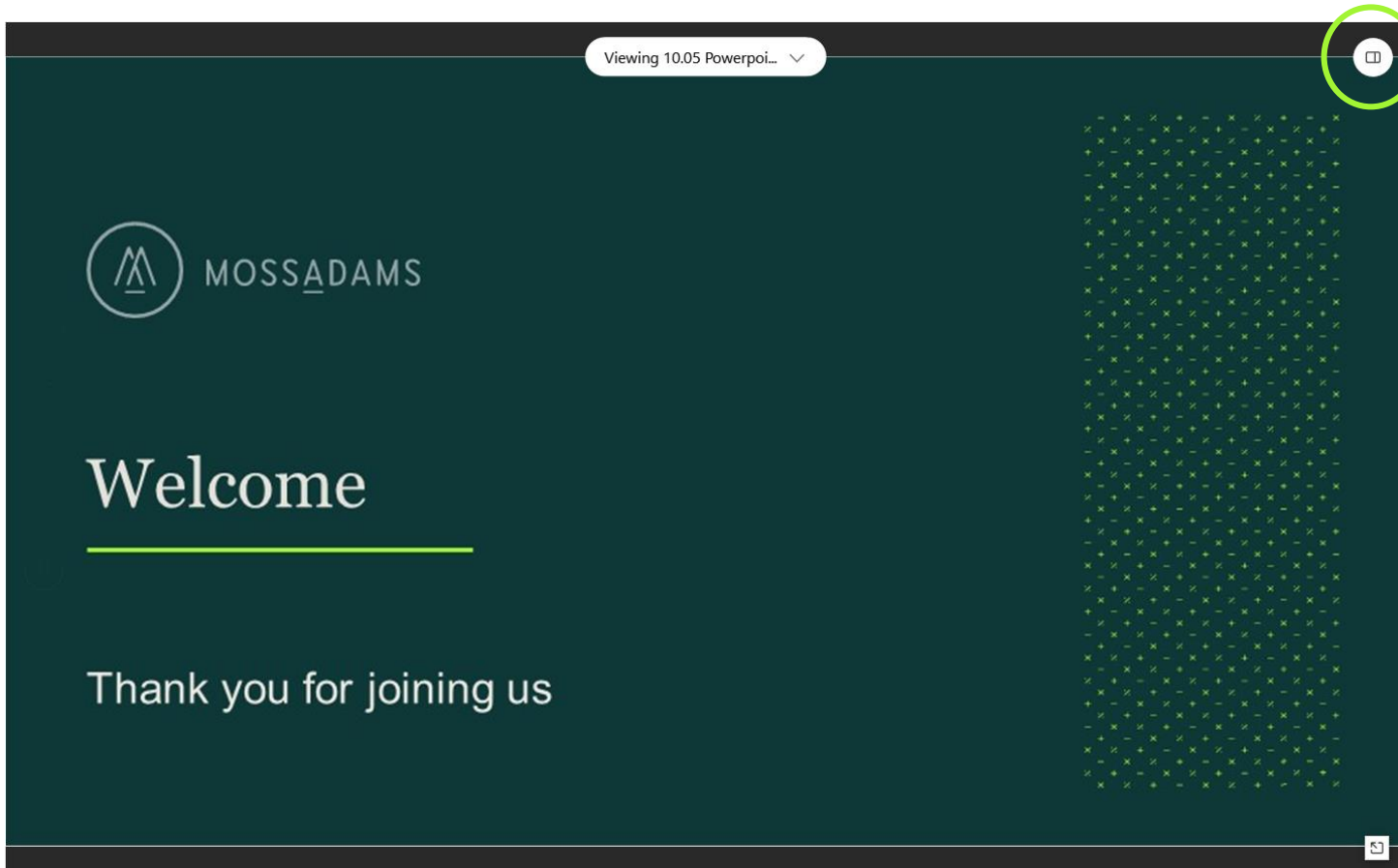
# Welcome

---

Thank you for joining us



# Viewing Options



For optimal viewing select “Side by Side” view from the top right-hand corner.

## FOR BETTER VIEWING

- Close all other applications
- Turn up your speaker volume



# WebEx Controls



Mute  
(not active)

Share  
(not active)

Leave

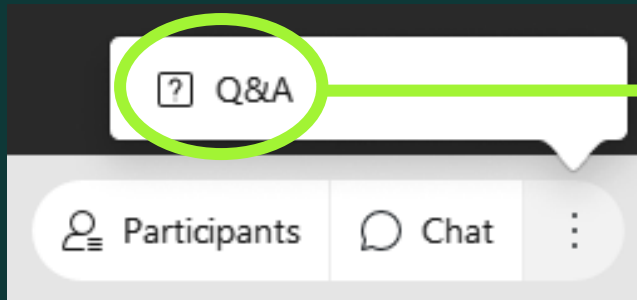
Participants

Message

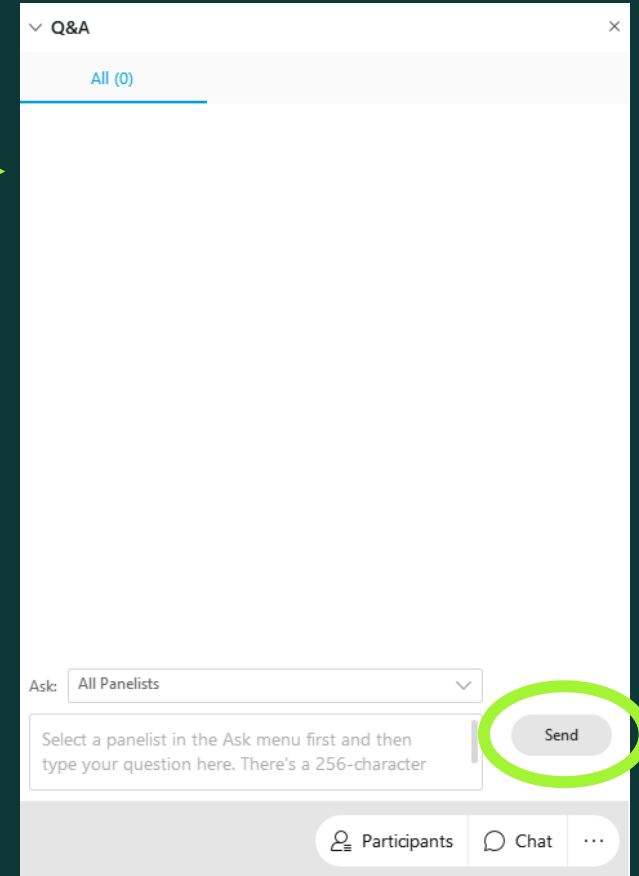
More  
options



# Questions?



- Under the “more options” button, select “Q&A”
- A new box will open on the right-hand side to type your question to the speakers or host



# Technical Difficulties?

---



**REFRESH YOUR BROWSER BY CLICKING F5.**

If you are still experiencing issues, please feel free to use the question box  
and direct your question to the “host”

OR

email [meetings@mossadams.com](mailto:meetings@mossadams.com)



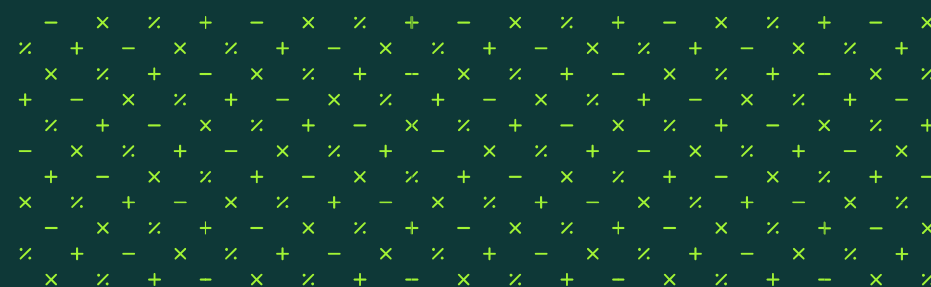
The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.

Assurance, tax, and consulting offered through Moss Adams LLP. ISO/IEC 27001 services offered through Cadence Assurance LLC, a Moss Adams company.

Investment advisory offered through Moss Adams Wealth Advisors LLC.

©2021 Moss Adams LLP





# Quarterly Economic and Market Update

November 10, 2021

---

The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.

Assurance, tax, and consulting offered through Moss Adams LLP. ISO/IEC 27001 services offered through Cadence Assurance LLC, a Moss Adams company. Investment advisory offered through Moss Adams Wealth Advisors LLC.



# Moderator

---



**John Davis, CFP**  
*Senior Financial Advisor*

(916) 503-8256

[john.davis@mossadams.com](mailto:john.davis@mossadams.com)



# Presenters

---



**Michelle Walker, CFA**  
*Director*

(206) 302-6462

[michelle.walker@mossadams.com](mailto:michelle.walker@mossadams.com)



**George Taylor**  
*Senior Fixed Income Portfolio  
Manager*

(206) 302-6718

[george.taylor@mossadams.com](mailto:george.taylor@mossadams.com)



**Jode Beauvais, CPA**  
*Partner & National Practice  
Leader, Individual and Families*

(253) 284-5229

[jode.beauvais@mossadams.com](mailto:jode.beauvais@mossadams.com)



# Agenda



**01 STOCK PERFORMANCE  
& VALUATIONS**

---

**02 THE FEDERAL RESERVE  
AND FORWARD-LOOKING  
MONETARY POLICY**

---

**03 FISCAL STIMULUS**

**04 FIXED INCOME UPDATE**

---

**05 INCOME AND ESTATE TAX  
PLANNING IDEAS TO CONSIDER  
BEFORE YEAR END**

---

**06 Q&A**



# Historic Rebound Continues After Brief Pause in Q3



Source: Compustat, FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management.



# Returns and Valuations by Size and Style

10-year annualized				YTD			
	Value	Blend	Growth		Value	Blend	Growth
Large	13.2%	16.3%	19.4%	Large	22.7%	23.0%	22.0%
Mid	13.6%	15.1%	17.1%	Mid	25.9%	22.8%	17.1%
Small	12.7%	14.0%	15.0%	Small	29.6%	18.0%	7.5%

Since market peak (February 2020)				Since market low (March 2020)			
	Value	Blend	Growth		Value	Blend	Growth
Large	24.7%	38.6%	54.6%	Large	101.6%	109.3%	125.6%
Mid	29.9%	38.5%	48.5%	Mid	129.7%	131.9%	130.9%
Small	38.5%	39.3%	37.7%	Small	143.5%	134.8%	123.7%

Current P/E vs. 20-year avg. P/E			
	Value	Blend	Growth
Large	16.4 / 13.7	21.3 / 15.5	30.0 / 18.5
Mid	16.6 / 14.5	20.8 / 16.4	36.8 / 20.4
Small	17.0 / 17.0	25.6 / 21.4	50.4 / 35.5

Current P/E as % of 20-year avg. P/E			
	Value	Blend	Growth
Large	119.7%	135.4%	161.9%
Mid	114.9%	127.1%	180.0%
Small	100.3%	119.7%	141.9%

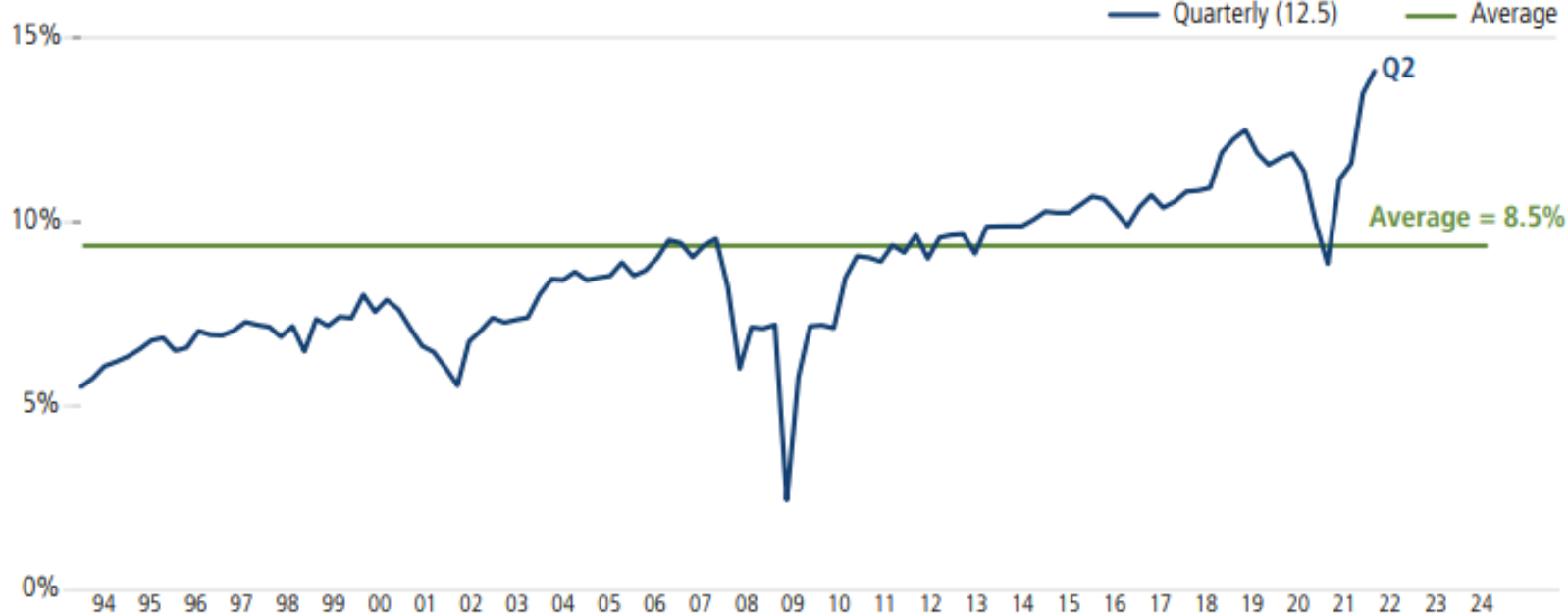
Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.



# Operating Leverage has Pushed Margins Higher

## S&P 500 QUARTERLY OPERATING PROFIT MARGIN

Data as of 9/7/2021

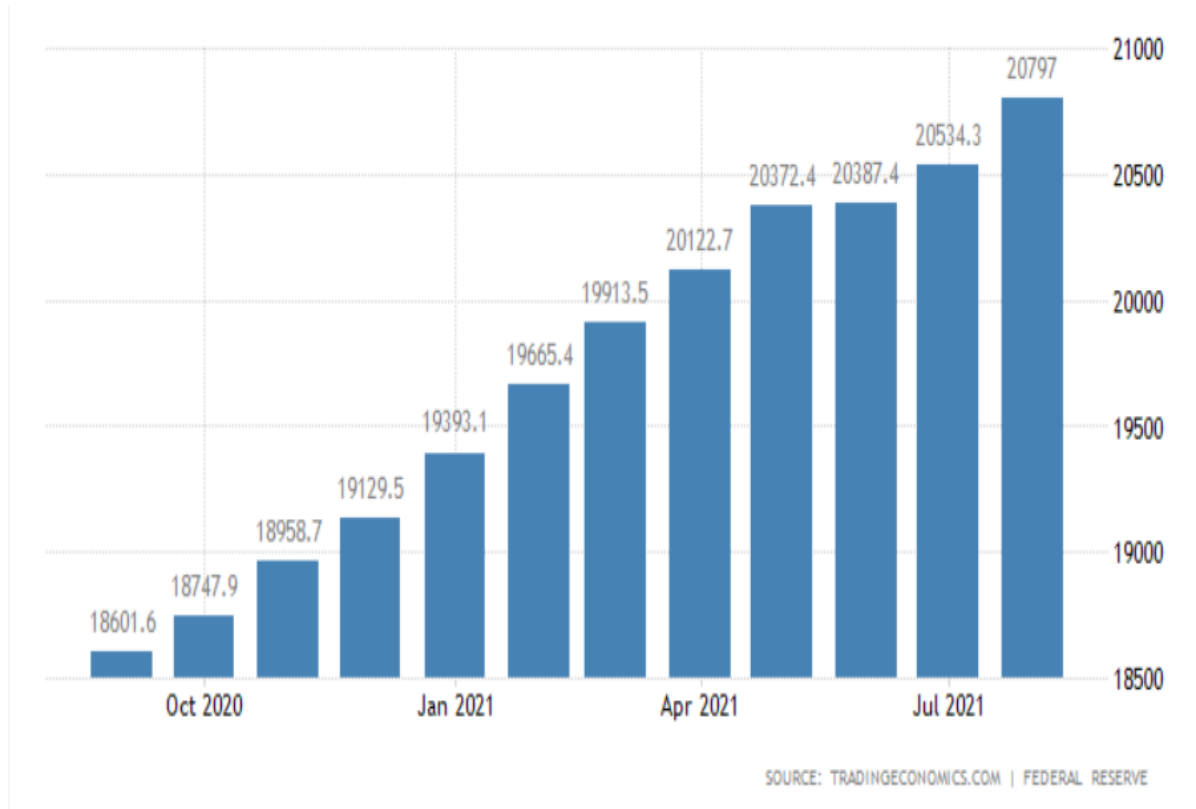


Source: Yardeni Research, Inc., Standard & Poor's Corporation (revenues) and I/B/E/S data by Refinitiv (operating EPS).



# Excess Money in the System

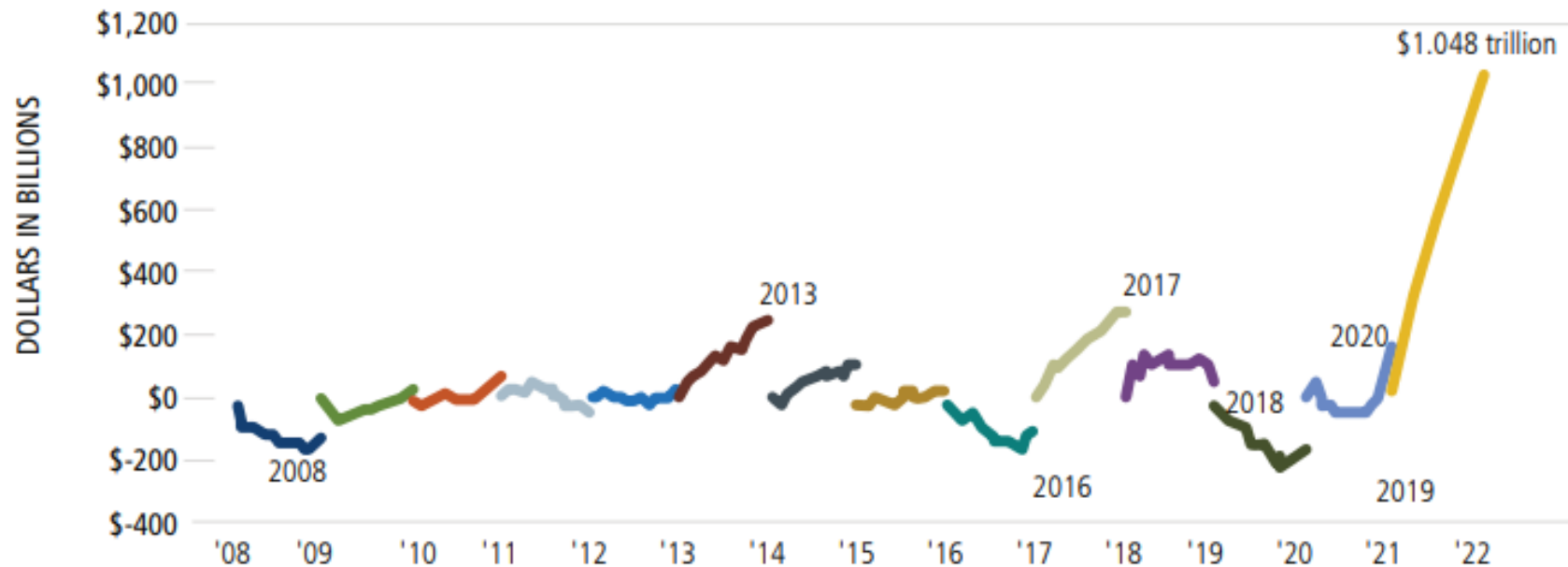
## M2 – MONEY SUPPLY



# Record Inflows to Global Stocks

## RECORD ANNUALIZED INFLOW TO GLOBAL STOCKS IN 2021

Annual equities fund flows



Source: BofA Global Investment Strategy, EPFR

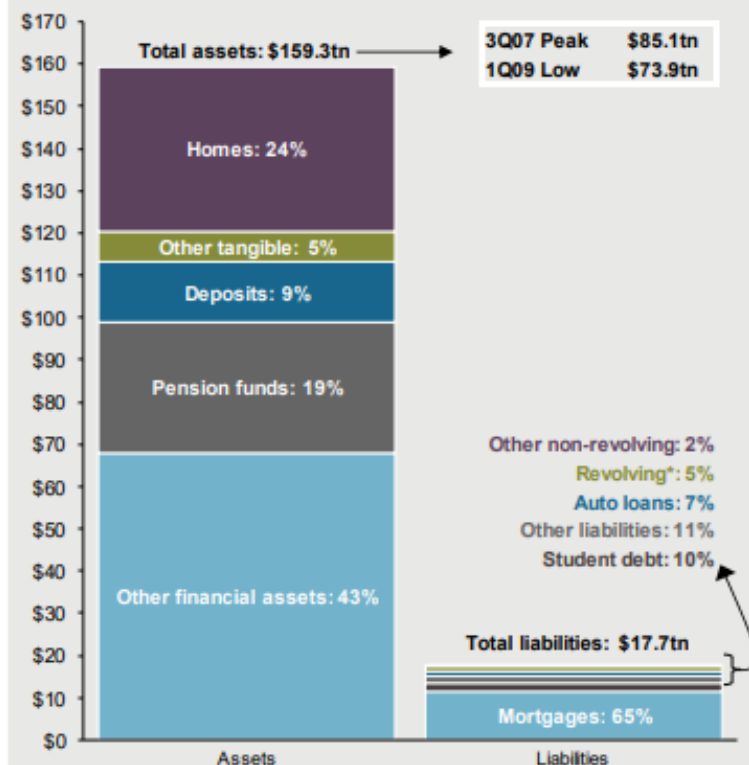




# Consumer Balance Sheets are Strong

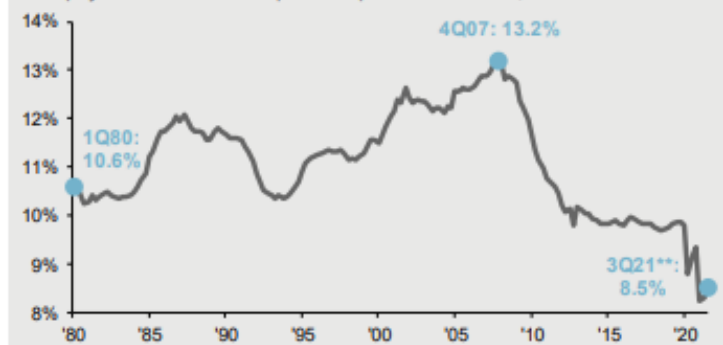
## Consumer balance sheet

2Q21, trillions of dollars outstanding, not seasonally adjusted



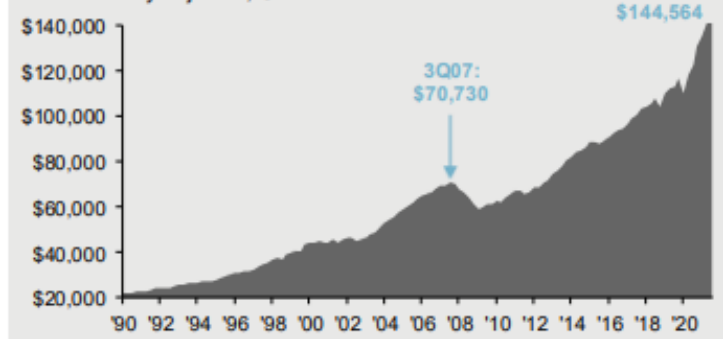
## Household debt service ratio

Debt payments as % of disposable personal income, SA



## Household net worth

Not seasonally adjusted, USD billions



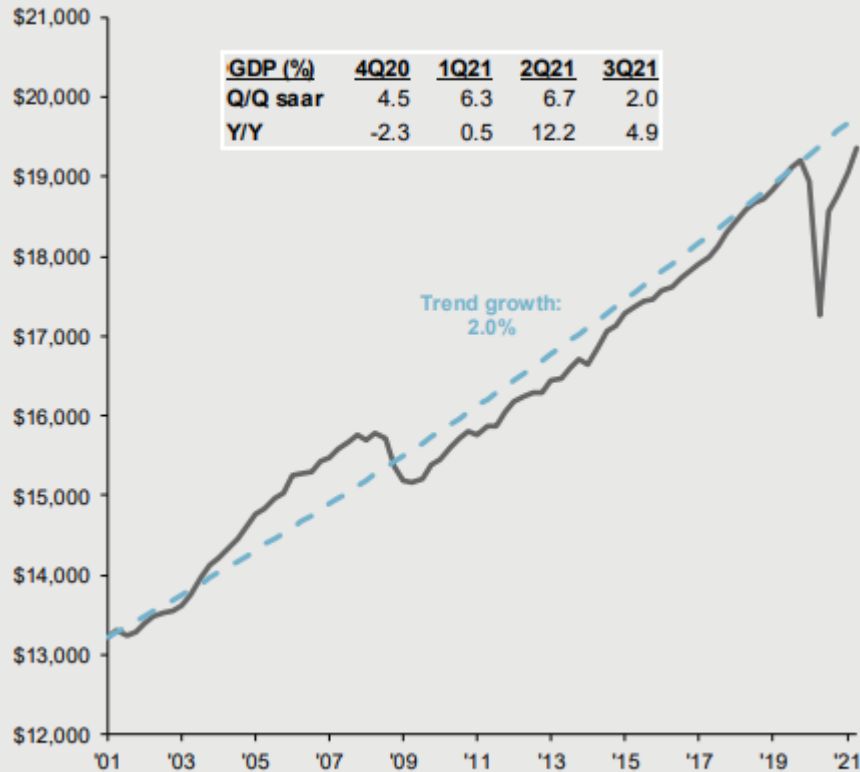
Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA.



# Economic Growth and the Composition of GDP

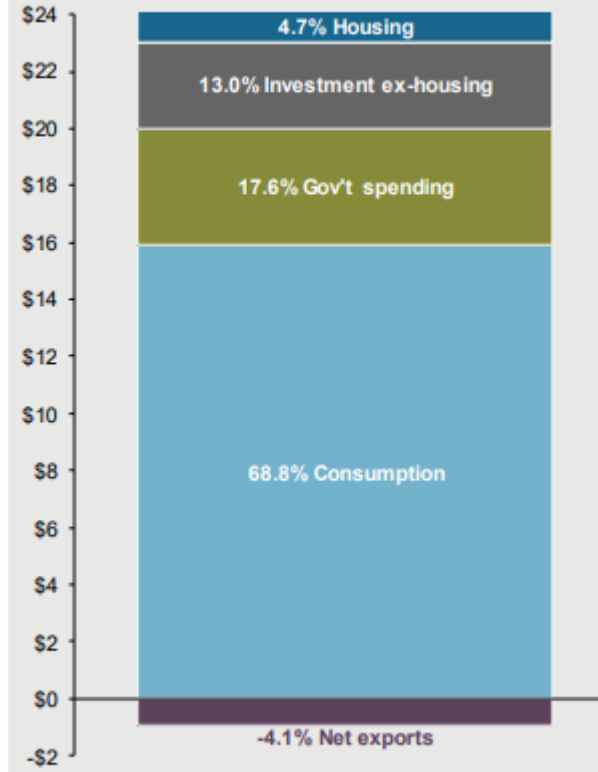
## Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates



## Components of GDP

3Q21 nominal GDP, USD trillions



Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.  
Guide to the Markets – U.S. Data are as of November 4, 2021.



# Consumer Confidence



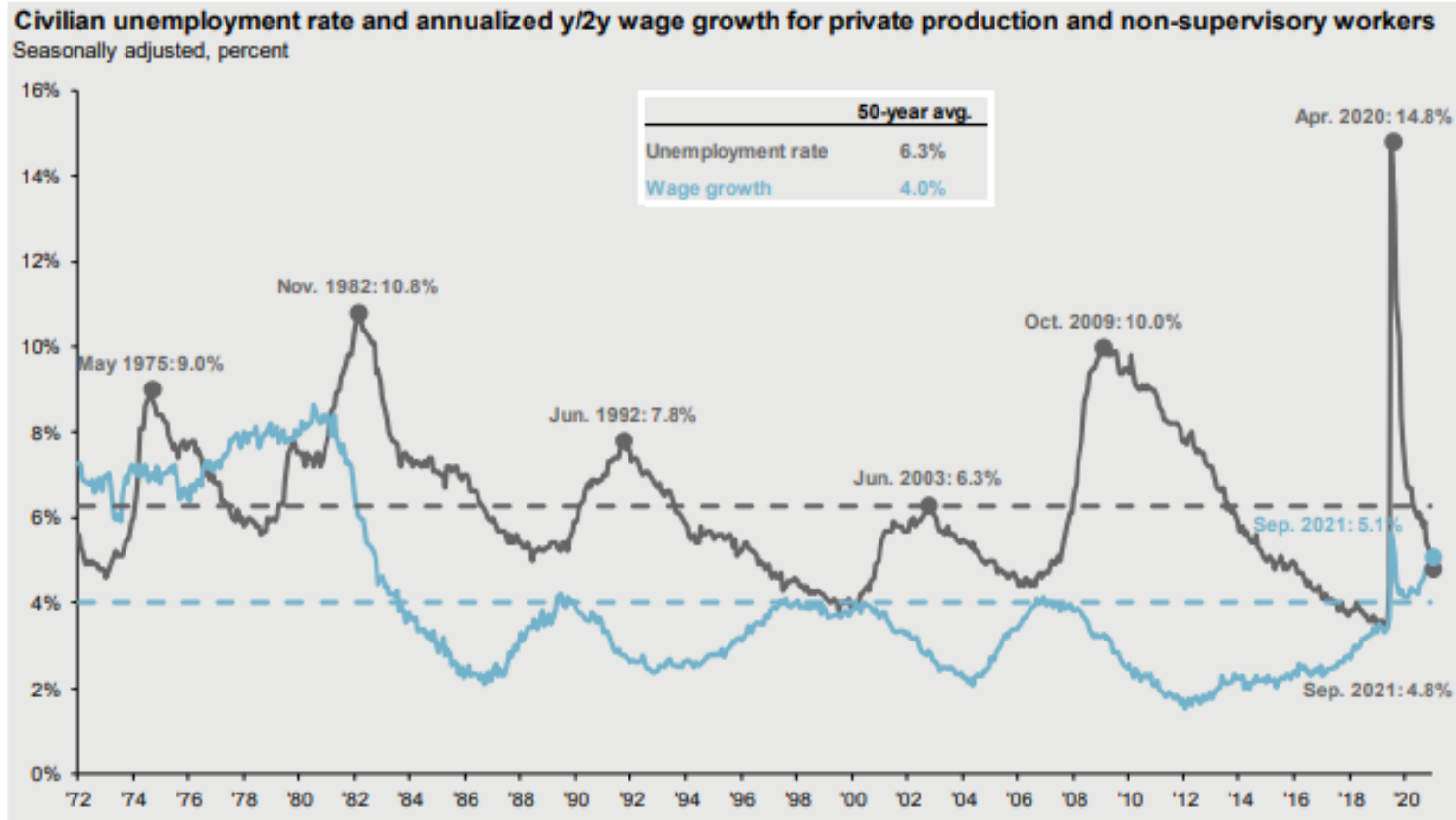
\* Shaded areas represent periods of recession.

Sources: The Conference Board, NBER

© 2021 The Conference Board. All rights reserved.



# Unemployment and Wage Growth



Source: BLS, FactSet, J.P. Morgan Asset Management.  
Guide to the Markets – U.S. Data are as of October 8, 2021.



# JOLTS Data Indicates Millions of Unfilled Jobs

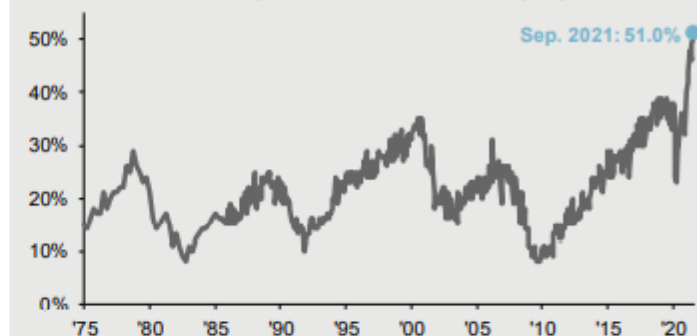
## JOLTS Job Openings

Total nonfarm job openings, thousands, seasonally adjusted



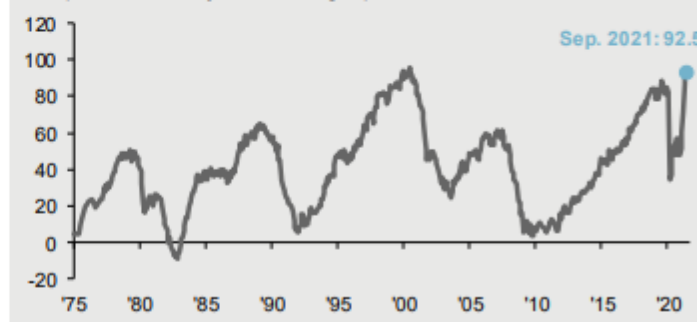
## NFIB Small Business Jobs Report, jobs hard to fill

% of firms with 1 or more jobs unable to fill, seasonally adjusted



## Consumer Confidence Survey, labor market diffusion index

Jobs plentiful minus jobs hard to get plus 50



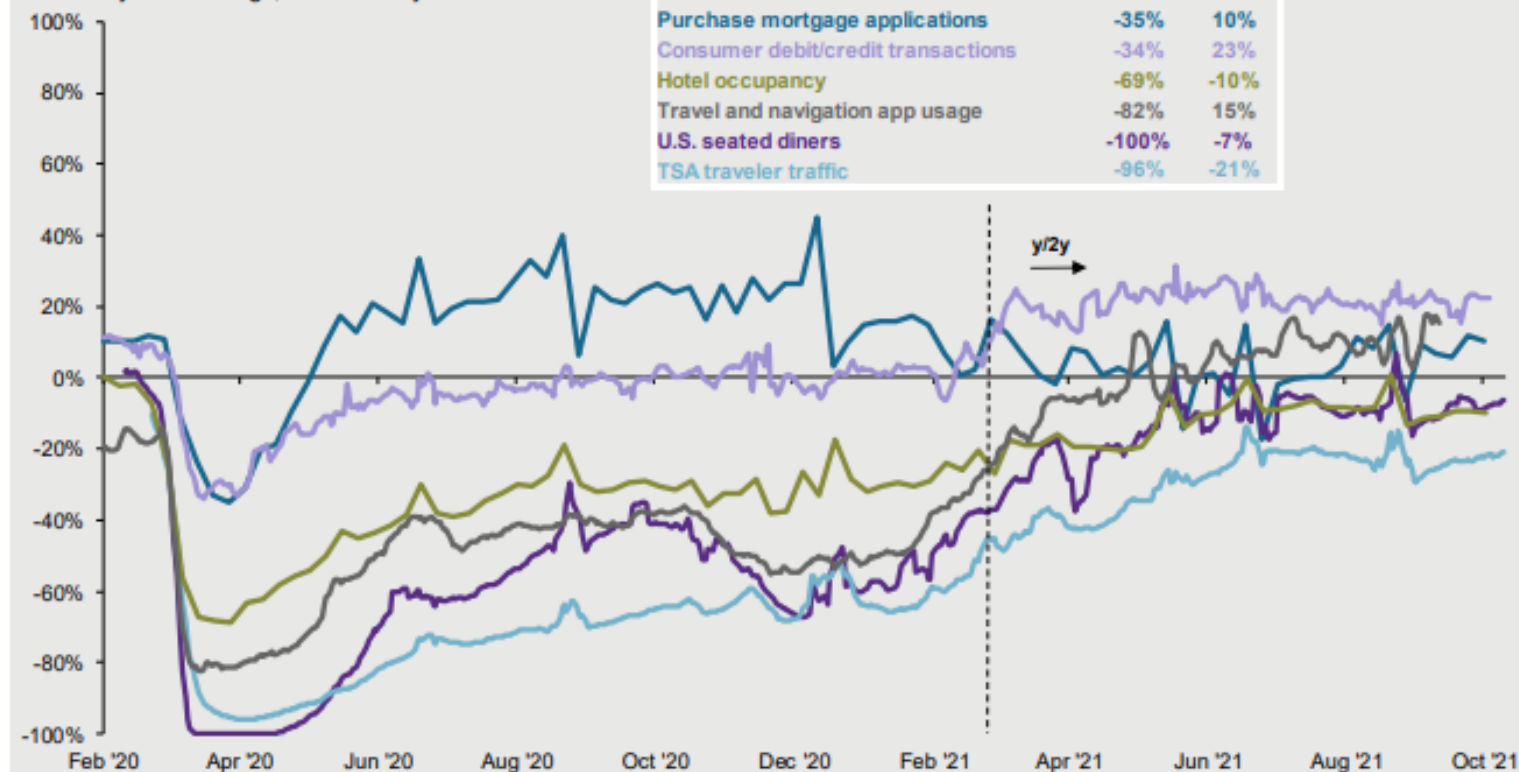
Source: Conference Board, National Federation of Independent Business, U.S. Department of Labor, J.P. Morgan Asset Management. The diffusion index is calculated as the percentage of consumers reporting jobs plentiful minus those reporting jobs hard to get plus 50.  
Guide to the Markets – U.S. Data are as of October 25, 2021.



# High Frequency Data

## High-frequency data

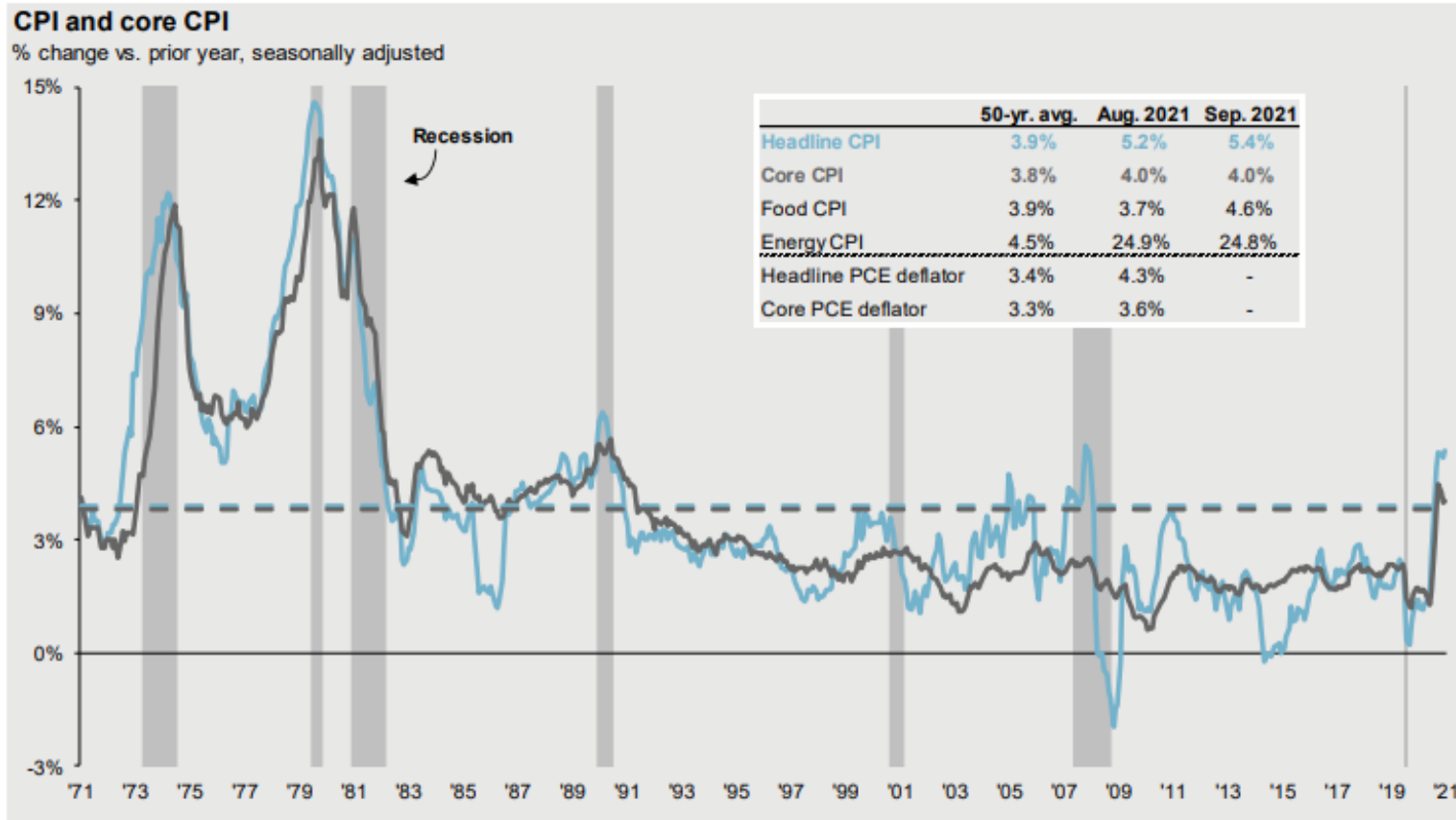
Year-over-year % change; Year-over-2 year after 3/15/21\*



Source: App Annie, Chase, Mortgage Bankers Association (MBA), OpenTable, STR, Transportation Security Administration (TSA), J.P. Morgan



# Inflation: CPI Numbers are Running Hot



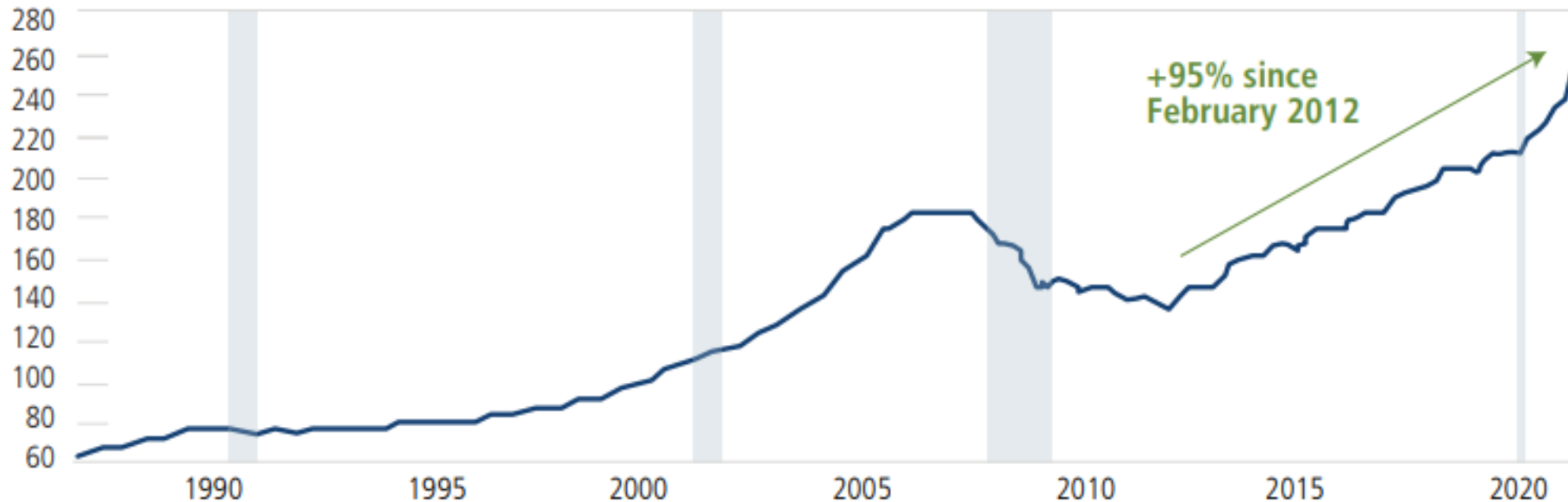
Source: BLS, FactSet, J.P. Morgan Asset Management.



# Home Price Appreciation

## S&P/CASE-SHILLER U.S. NATIONAL HOME PRICE INDEX

Data from 1/1/87-6/1/21 | Index January 2000 = 100



Shaded areas indicate U.S. recessions.

Source: S&P Dow Jones Indices LLC, S&P/Case-Shiller U.S. National Home Price Index [CSUSHPINSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouis-fed.org/series/CSUSHPINSA>, September 12, 2021.





# Upward Pressure on Energy

## Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

Production	2018	2019	2020	2021*	2022*	Growth since '18
U.S.	17.9	19.5	18.6	18.6	20.0	11.9%
OPEC	36.7	34.7	30.7	31.8	33.9	-7.8%
Russia	11.4	11.5	10.5	10.8	11.6	1.6%
<b>Global</b>	<b>100.7</b>	<b>100.7</b>	<b>94.2</b>	<b>96.1</b>	<b>101.5</b>	<b>0.7%</b>
Consumption						
U.S.	20.5	20.5	18.2	19.7	20.6	0.6%
China	13.9	14.8	14.4	15.2	15.9	14.2%
<b>Global</b>	<b>100.0</b>	<b>101.2</b>	<b>92.4</b>	<b>97.4</b>	<b>101.0</b>	<b>1.0%</b>
Inventory Change	0.7	-0.5	1.8	-1.2	0.4	

## U.S. crude oil inventories and rig count\*\*

Million barrels, number of active rigs



## Price of oil

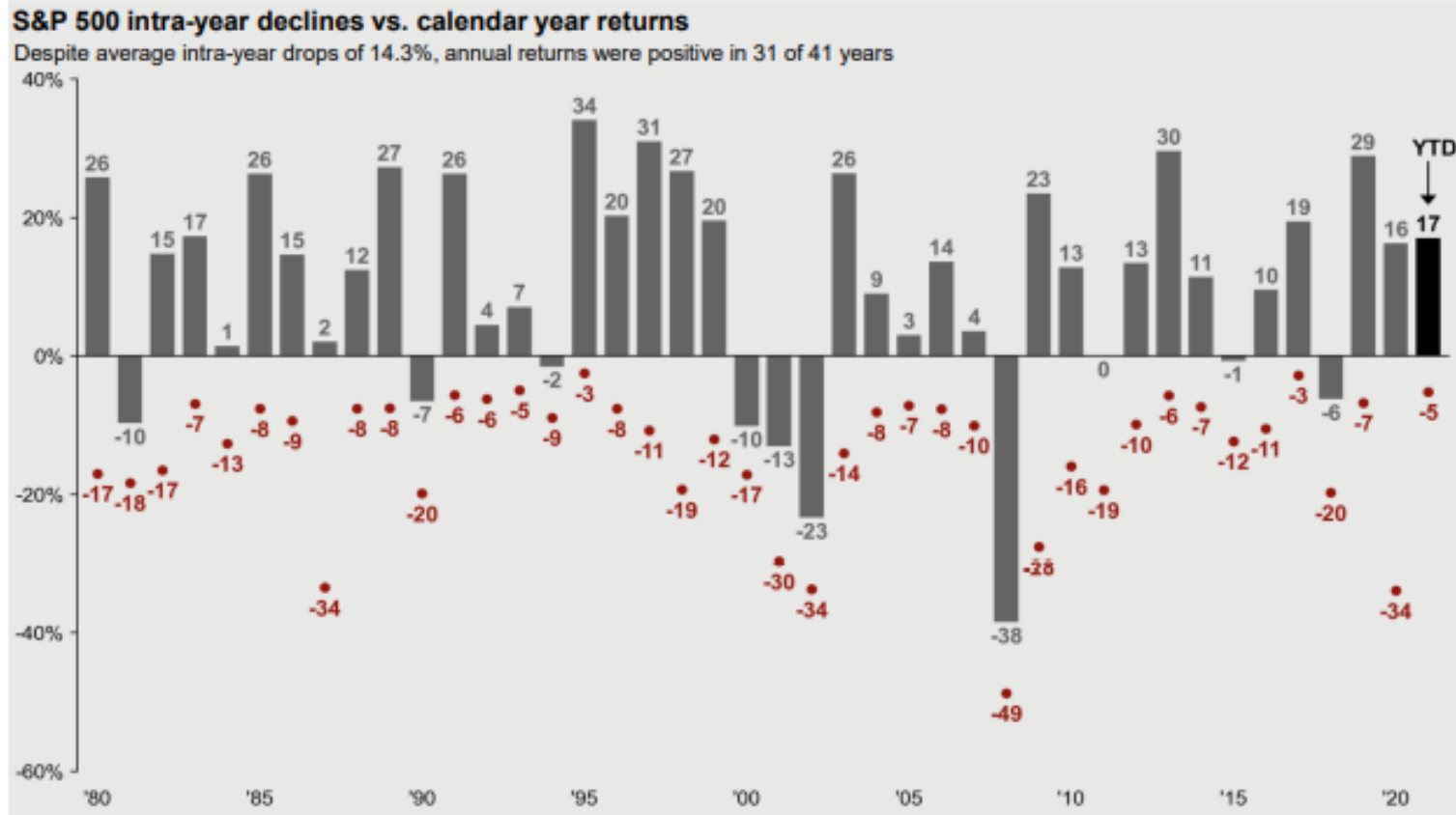
WTI crude, nominal prices, USD/barrel



Source: J.P. Morgan Asset Management; (Top and bottom left) EIA; (Right) FactSet; (Bottom left) Baker Hughes.



# Periodic Drawdowns are Normal and Healthy



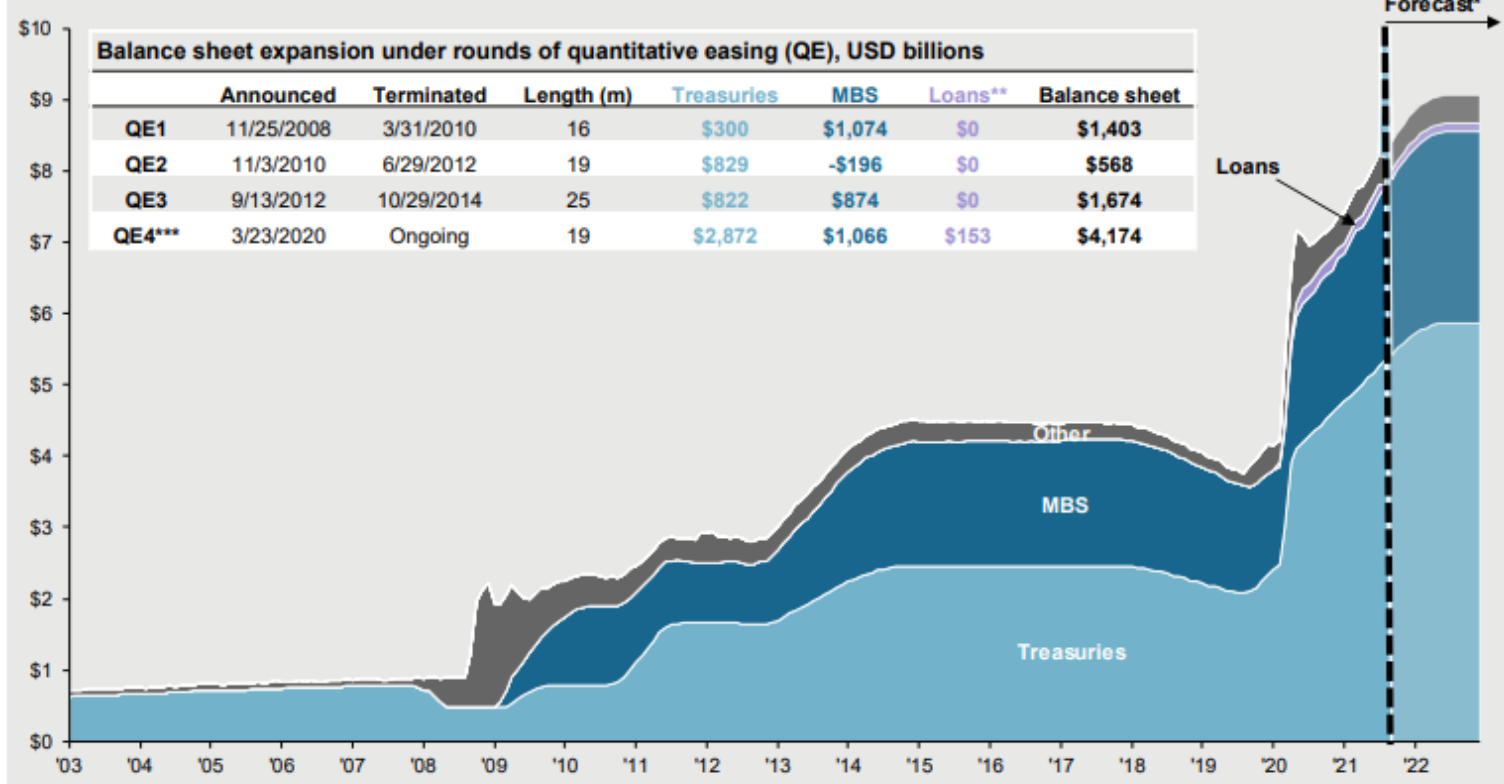
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.



# The Federal Reserve: Bond Purchases

The Federal Reserve balance sheet

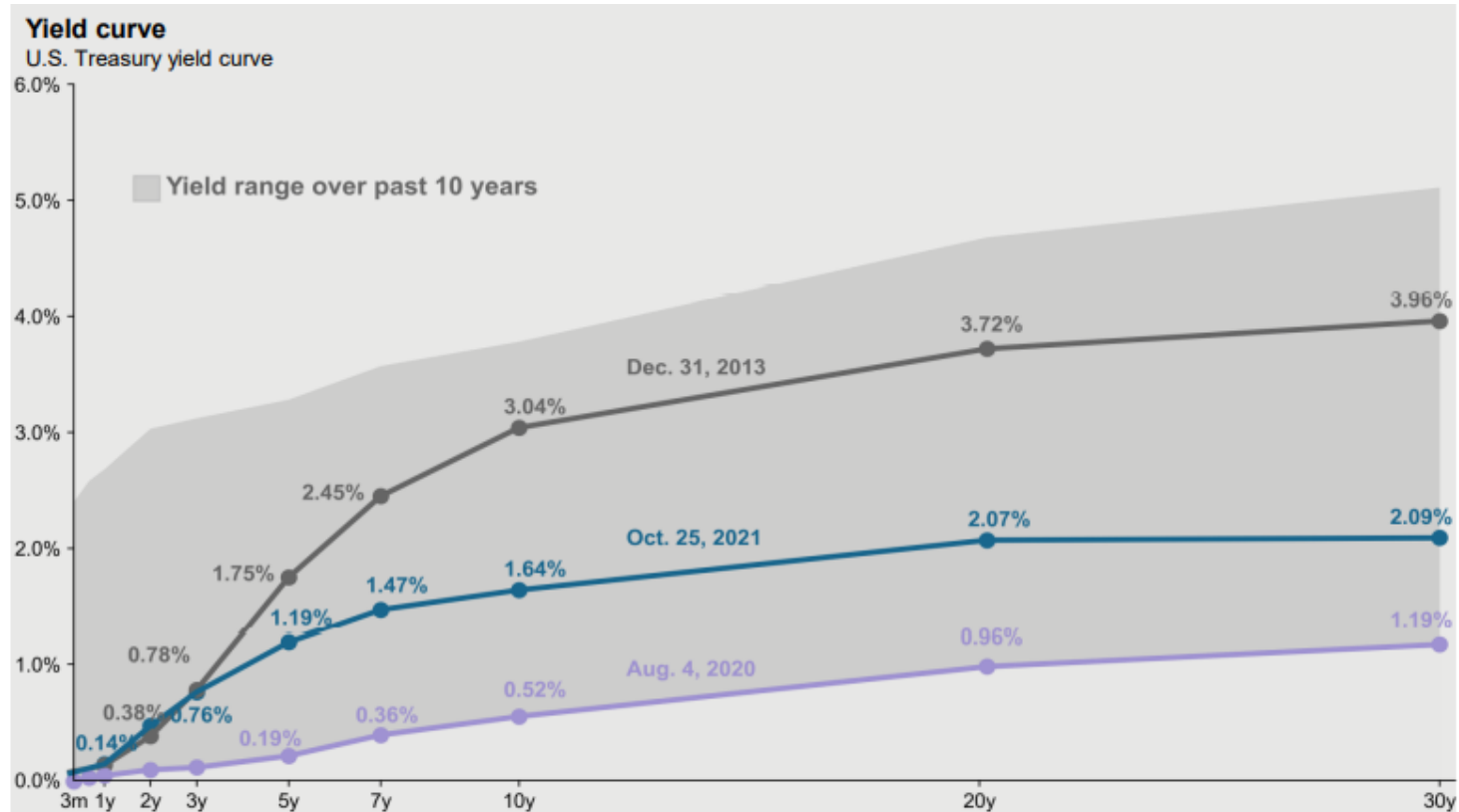
USD trillions



Source: FactSet, Federal Reserve, J.P. Morgan Investment Bank, J.P. Morgan Asset Management.



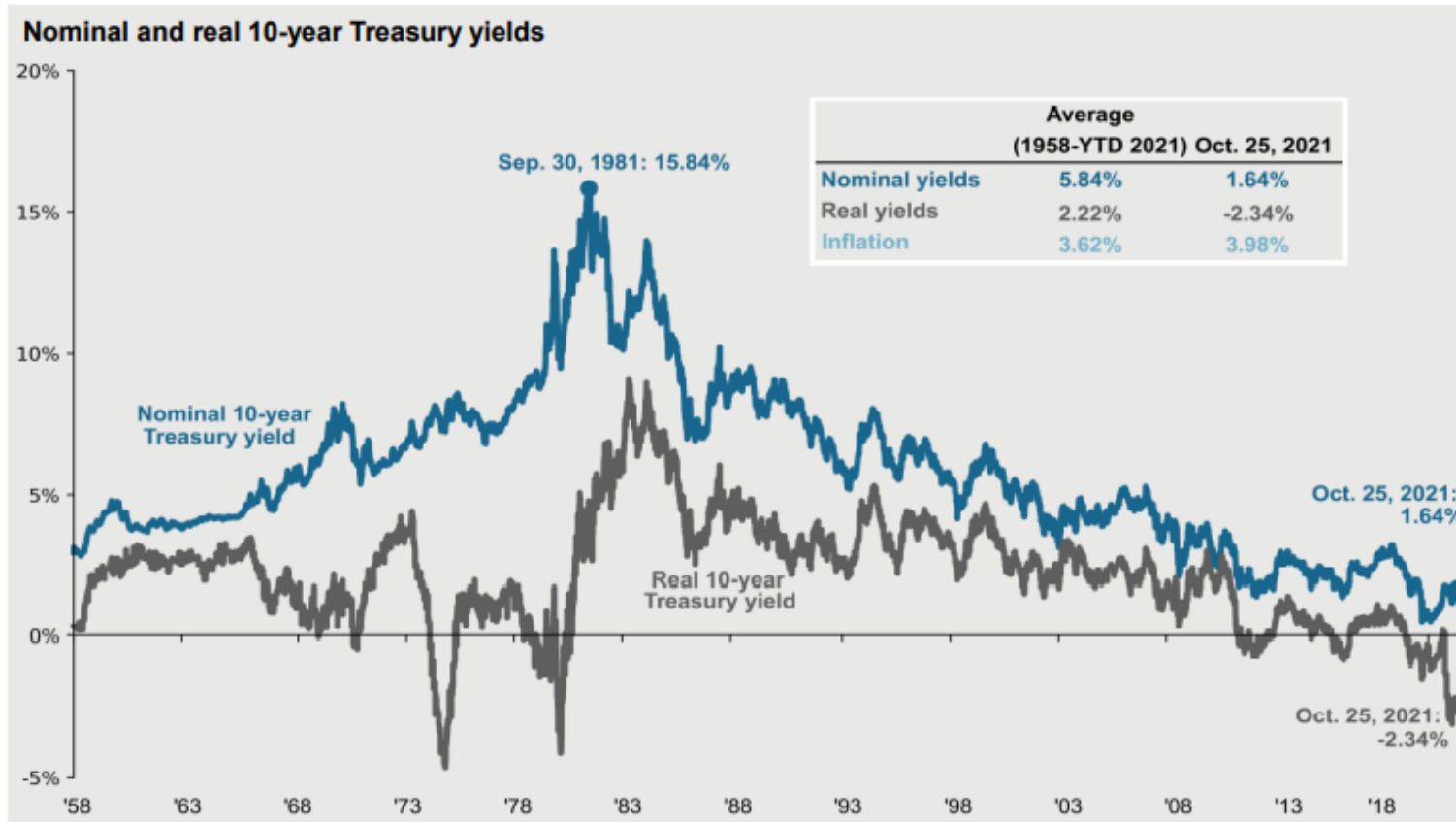
# Yield Curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. 12/31/2013 is the date the yield curve reached one of its steepest levels in reaction to the Fed announcing it would begin paring down its bond-buying program. 08/04/2020 is the date of a record low on the 10-year, driven by safe haven demand and pessimism around the U.S. pandemic recovery.



# Nominal and Real Yields



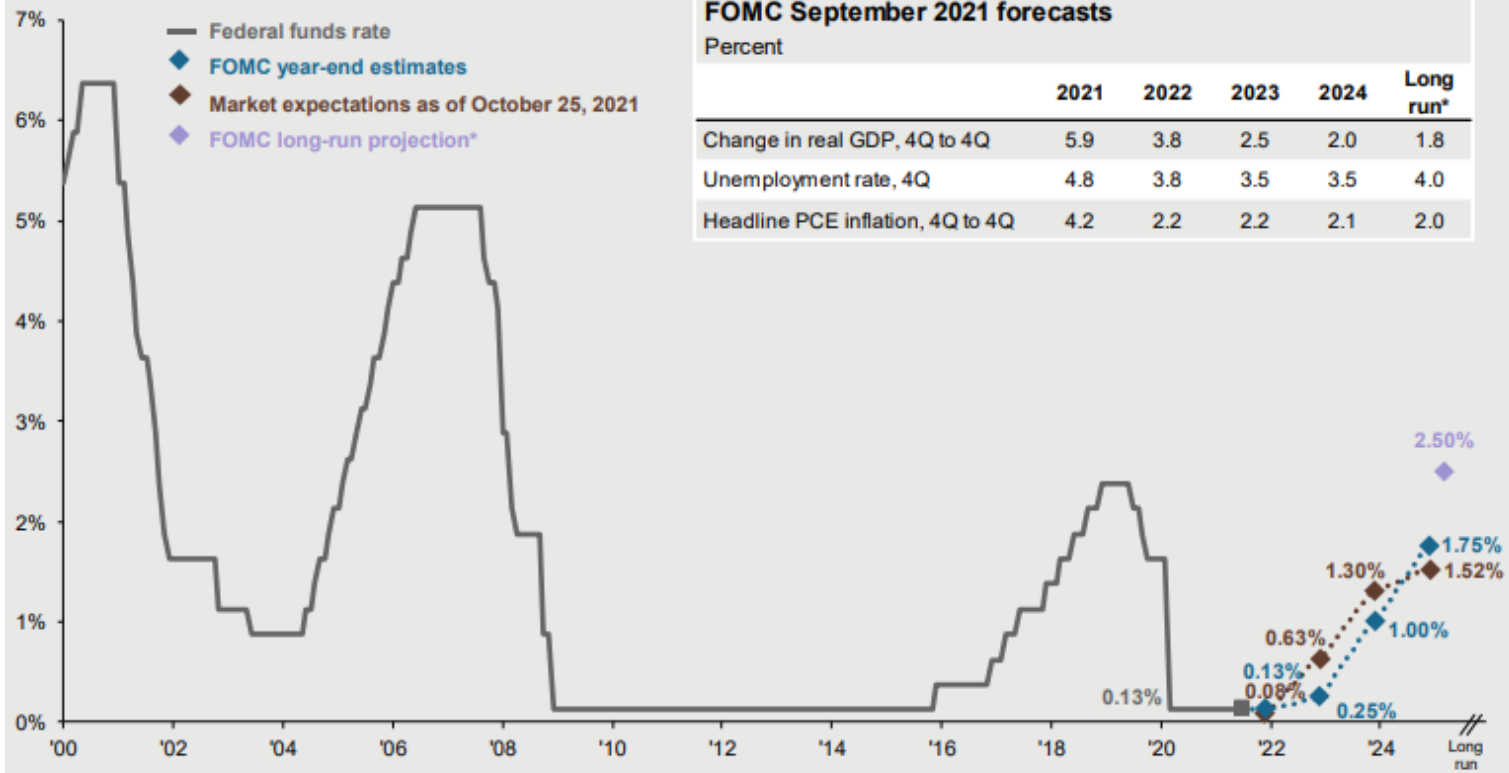
Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.



# Federal Fund Rate Expectations

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.



# Year End Planning – Legislative Update

## Hard Infrastructure Bill - \$1.0T

- Passed Senate- July
- Passed House – last week
- President to sign – when back in session next week

## Human Infrastructure Bill - \$1.75T

- Passed House
- Goes to Senate – they will produce their own version of the bill
- Committee between House & Senate will take bills and create final version
- Vote again by House & Senate
- President to sign



# Year End Planning – Tax Legislation

## House Proposal – What it includes

- 5% surtax on AGI over \$10M
- Additional 3% surtax on AGI over \$25M
- Schedule A tax deduction – increased to \$80K (currently \$10K)
- Back door ROTH strategy no longer available
- ROTH conversions limited to pre-tax contributions – through 2031  
After 2031, ROTH conversions allowed only for taxpayers making less than \$450K MFJ
- Limitations on how much you can accumulate in your retirement accounts - \$10M
- Extend limitation on ability to offset business losses with non-business income
- Extend the Net Investment Income Tax to include more types of income for taxpayer's with AGI >\$400K





# Year End Planning – Tax Legislation

## House proposal – does NOT include:

- Estate tax changes
- Capital gains due at time of gifting/death
- Rate changes for income, corporate or capital gains
- Limitations on the 199A (Qualified Business Income Deduction)
- 1031 exchanges - \$1M cap for individuals (\$2M joint)

**BUT** – there is a lot of work still to be done before we know what the end result will be.

- ❖ The final bill will look different than where it stands now
- ❖ Substantial lobbying occurring
- ❖ CBO (Congressional Budget Office) process will determine a lot of the direction on where this goes



# Year End Planning – Tax Planning Strategies

## Retirement Funding

- Convert a traditional IRA to a ROTH IRA
- Max out your deferrals
  - 401K: \$19,500 + \$6,500 catch up if over 50
  - Self employed plans: \$57,000
  - IRA's: \$6,000 + \$1,000 catch up if over 50

## Charitable giving

- Directly from your required minimum distribution (RMD) – up to \$100,000
- Cash directly to public charities – up to 100% of your income (2021 ONLY)
- Stock donations – avoid the capital gain on appreciated stock
- Set up a Donor Advised Fund – legacy planning



# Year End Planning – Tax Planning Strategies

## Deferral of Income – Acceleration of Deductions

- Installment notes for sale transactions
- Like Kind Exchange of investment properties
- Accelerated deductions for property purchases- cost segregation
  - Direct ownership
  - Investment partnerships

## Estate Planning

- Consider doing annual cash gifts of \$15,000 – no reporting to the IRS required
- Consider doing larger gifts to use part of your lifetime gifting exemption
  - Currently \$11.7M per person
- Consider giving your retirement account to charity at death
- Consider setting up strategic trusts to transfer family wealth safely and efficiently



# ➤ QUESTIONS

Let's start a conversation.

[michelle.walker@mossadams.com](mailto:michelle.walker@mossadams.com)

[george.taylor@mossadams.com](mailto:george.taylor@mossadams.com)

[jode.beauvais@mossadams.com](mailto:jode.beauvais@mossadams.com)

[john.davis@mossadams.com](mailto:john.davis@mossadams.com)



The material appearing in this presentation is for informational purposes only and should not be construed as advice of any kind, including, without limitation, legal, accounting, or investment advice. This information is not intended to create, and receipt does not constitute, a legal relationship, including, but not limited to, an accountant-client relationship. Although this information may have been prepared by professionals, it should not be used as a substitute for professional services. If legal, accounting, investment, or other professional advice is required, the services of a professional should be sought.

Assurance, tax, and consulting offered through Moss Adams LLP. ISO/IEC 27001 services offered through Cadence Assurance LLC, a Moss Adams company. Investment advisory offered through Moss Adams Wealth Advisors LLC.

©2021 Moss Adams LLP

