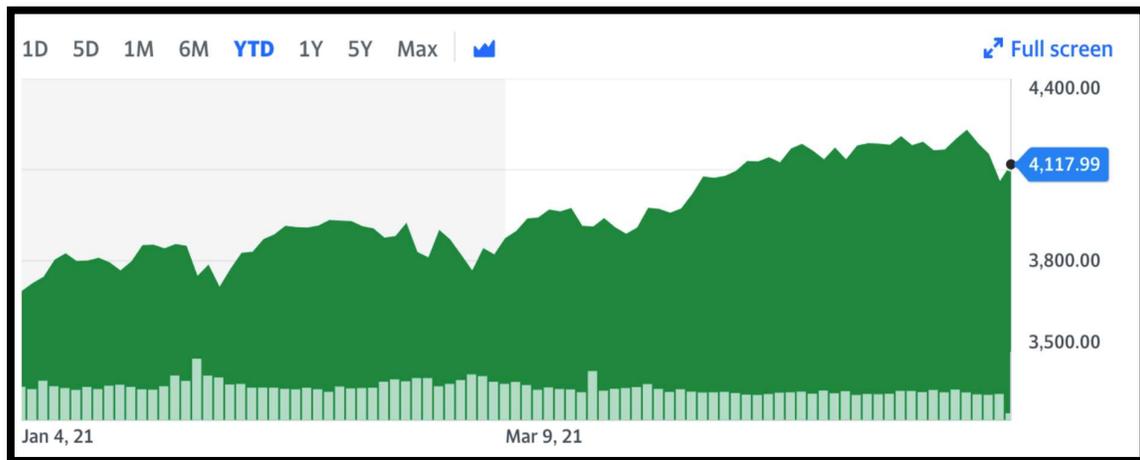


Market Jitters and Inflation Worries

In the last few trading days, investors and traders were reminded once again that markets go down—sometimes with a lurch. The most recent lurch was this week’s 2.1% one-day decline in the popular S&P 500 index of U.S. stocks—which was described as “the biggest one-day drop since February,” in case anybody is an avid market historian. In the first three days of the week, the index had fallen 4%, which sounds kind of scary until you look at the year-to-date chart and see that, so far, this has been a pretty good year to be invested overall. Investors in U.S. stocks were still sitting on a 9% return for the year.

Year-to-Date S&P 500 Performance



What caused the dip? Economists became nervous when employment numbers in March were revised downward and the number of jobs in April came in below expectations. The best estimate is that the U.S. economy is still 8.2 million jobs below its peak in February 2020, which means the recovery may not be proceeding as rapidly as some had hoped. Once again, when you look at a long-term graph, you can see that there’s clear signs of progress from the bottom.

More worrisome to traders and pundits, the so-called producer price index, which is the inflation rate for companies and especially manufacturers, had risen 6.2% for the 12 months ending in April, which was well above the 3.8% forecasts offered by economists. But some are attributing these higher costs, at least in part, to the supply chain bottlenecks caused by border restrictions due to the pandemic, and more specifically to the ripple effect of the Suez Canal blockage in March.

What you probably haven't read is that these "spikes" in inflation are also in part because prices have been depressed due to the pandemic and the widespread shutdown of the U.S. economy. This has greatly distorted year-over-year comparisons and makes the inflation picture look a lot more worrisome than it probably is.

This is not to say that stocks won't continue to go down a bit further; the emotional impacts of these selloffs have a way of feeding on themselves. But it is equally possible that the market will decide that the best days are still ahead. We are close to having the economy finally back on its feet and most of the people vaccinated, which could drive growth and stock value over the remainder of the year. It would be nice to know in advance, but what we do know is that over time companies have tended to increase in value, as a result of the daily labors of their workers. Even if their stocks go on sale in the meantime.

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If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:(215)325-1595) or you can [click here to schedule a meeting](#).

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About the advisor

Jeff Broadhurst is a wealth manager at Broadhurst Financial Advisors, Inc. He focuses on providing wealth management solutions to business owners and family stewards in the Philadelphia area. Together with his partners, he helps affluent clients address their five biggest concerns:

1. Preserving their wealth
2. Mitigating taxes
3. Taking care of their heirs
4. Ensuring their assets are not unjustly taken
5. Charitable giving.

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Best regards,

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