# BROKERAGESELECT NEWSLETTER

## Taxes

If you filed an extension, remember to file your business return by September 15 and your personal return by October 15.

## Cookies

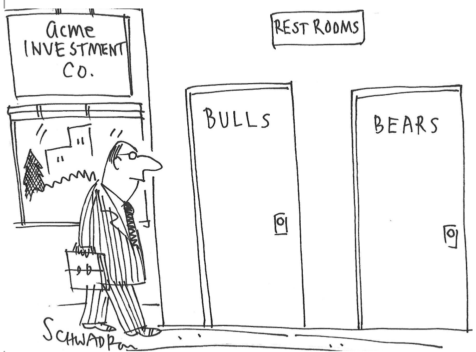
Increasing numbers of websites use pop-up windows to allow users to manage the information that the site collects. Regulations require this if the site sells your information. It's a good idea not to ignore these pop-ups if privacy is a concern. Also, research the settings on your browser. If you want to block tracking and cookies, there are choices that can be made.

## Travel

As Fall is upon us, it's time to think about heading to look at the autumn leaves and to the orchards for pick-your-own apples. If you are in the Hudson Valley, NY, **Wilklow Orchards in Highland** is a member of the BrokerageSelect extended family.

## Perspectives

The Employment Report issued on Friday, September 3rd did little to clarify the direction of the economy or the Federal Reserve The number of jobs created in August was lackluster. While non-farm payrolls increased by 230,000 jobs, this was below expectations and well-below the 586,000 monthly average job growth in 2021. The Bureau of Labor Statistics increased its July reading by 110,000 jobs, putting the revised July job increase at over 1 million. No doubt this was a weak report but the number of Americans working still increased. Hourly wages rose for the 5th straight month. It appears that the recovery is still happening but there is some sluggishness on the employment front. There was a thought that as the extended employment benefits ended, workers would seek work. The link of employment to extended relief benefits was never established and it appears there are other factors influencing employment. Of course the Delta variant may be a significant reason the jobs report missed the mark. Companies closed or reduced activity as infections hit their operations. Workers may be afraid to go back to work. Parents may be reluctant to take positions without knowing for sure that schools will be open. Perhaps the reluctance of some workers to go back to work has given other workers some bargaining power, hence the steady rise in hourly wages. Where does leave the Federal Reserve? They have been signaling that they will be reducing (tapering) the amount of bonds they purchase each month. This report probably does not change their objective. The recovery still seems intact and wages are rising. The case for the Fed supporting the economy seems less warranted than when the economy was in the throws of the pandemic. The Fed has been purchasing securities (quantitative easing) since the 2008 Financial Crisis. Now that there is a strong bounce post-pandemic and a new appetite in Washington for fiscal support in the form of infrastructure and social spending, there is probably no better time to taper. One might ask, "If not now, then when?" However, the stock market did not sell off and interest rates moved up only slightly after the employment report. Is there a




## Something Else

Boston in the Fall is always a place to go for the foliage. This year there are two museum "events" worth seeing. The first is the Titian exhibit at the Isabella Stewart Gardiner Museum. The show brings together, for the first time in 400 years, the six paintings known as the *Painted Poetries* made for King Philip II of Spain.

Also, nearby, the Museum of Fine Arts is re-opening its Dutch and Flemish galleries that have been closed for renovation.

Both make Boston a great place to visit this Fall.

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thought that the employment picture is not so robust? Is the market concerned that the Delta variant will put a deeper drag on the economy? Will the taper be postponed or scaled back? Still lots of questions. Caution should be front and center for investors.

# Out Of The Box

There is a debate in the investment community with regard to how much cash investors should hold in their portfolios. Moody's, an economics research firm, calculated that US households had $2.3 trillion in "excess savings" at the end of March 2021. This level may be elevated due to investors desiring to hold more cash as a result of uncertainties surrounding COVID. It is interesting to note that the aggregate amount of cash held by investors has not gone down as the economy is recovering. As of April 30th, it is estimated that cash represents 17% of US investors' portfolios. Let's explore some ways to look at cash in a portfolio. Too much cash in a portfolio drags on returns. In addition, currently, cash earns close to a zero return and therefore even low levels of inflation eats away at one's purchasing power. While cash lowers returns, it does provide a sense of safety and security. This emotional need does have a value. In the extreme, what good is higher returns if people are so nervous and anxious that they can not enjoy the fruits of their investments? A different view of cash in a portfolio hinges on an investor's behavior during market slumps. If an investor is willing to put the cash to work when the market is down, then one might say cash has a sort of option value on the market. We all want to "buy low". Having cash around to do this is valuable beyond the near zero immediate return on the cash. For an investor with cash and with this perspective, it might help emotionally to put buy orders below the current price for stocks and/or ETFs so the cash seems like it is "working" to catch a correction. Another way to look at the issue is always to have an "emergency fund" with one to two years of expenses and invest the excess. This allows one to ride out a rough patch like unemployment or illness without selling investments. It is not good for your long-term returns if you are forced to sell when prices are down. An emergency fund provides this protection so you can keep more invested for longer.

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