ASTORIA
PortfolioAdvisors

Index/ETF	1-Mo	YTD	1-Y
Equities			
US Growth (QQQ)	4.22%	21.39%	30.62%
US Large-Caps (SPY)	2.98%	21.57%	30.74%
US Small-Caps (SPSM)	2.01%	22.85%	51.67%
US Mid-Caps (SPMD)	1.98%	20.30%	43.15%
US Value (IVE)	1.64%	19.15%	32.04%
International Developed Equities (IEFA)	1.59%	12.66%	27.01%
Broad-based Emerging Markets (EEM)	1.57%	1.87%	16.76%
China (MCHI)	-0.67%	-12.38%	-7.46%
US Bonds			
High Yield Credit (HYG)	0.61%	3.33%	8.15%
Treasury Inflation Protected Notes (TIP)	-0.16%	4.01%	5.78%
Municipal Bonds (MUB)	-0.19%	1.06%	3.09%
US Aggregate Bond Index (AGG)	-0.20%	-0.76%	0.08%
Investment Grade Corporate Bonds (LQD)	-0.34%	-0.72%	2.66%
US Treasury 7-10 Year (IEF)	-0.39%	-1.87%	-2.71%
Commodities			
Gold (GLD)	-0.08%	-4.86%	-7.97%
Broad-based Commodities (BCI)	-0.41%	21.74%	29.75%
Crude Oil (USO)	-5.17%	45.53%	56.38%
Silver (SLV)	-6.31%	-9.89%	-13.55%

Takeaways from Jackson Hole: Late last week, Federal Reserve chairman Jerome Powell delivered his speech on monetary policy at the Jackson Hole Symposium which was held virtually this year due to the surge in Delta related Covid cases. In his speech, Powell commented that the economy has made "substantial further progress" in the past month given the strong July jobs report, but he acknowledged that the Delta variant has muddled the economic outlook. He also suggested that it may be appropriate to start tapering later this year and emphasized that the timing of the reduction in bond purchases should not be taken as a signal for a "rate liftoff." Regarding inflation, Powell stressed that such high levels shouldn't cause excessive concern given his defense that it is transitory. As a result of the Fed's dovish tone, investors appear to have increased their desire for risk assets, pushing the S&P 500 index to record highs.

US Labor Market Strengthens: On Friday, August 6th, the Labor Department released a better-than-expected July jobs report. Total nonfarm payrolls rose by 943,000 for the month, exceeding forecasts of 865,000 and posting their best increase in 11 months. 380,000 of the jobs created fall within the leisure and hospitality industry, with restaurants and bars representing the bulk of the increase. Likewise, the US unemployment rate fell from 5.9% in June to 5.4% in July, beating the 5.7% estimate. As indicated in the chart below, this marks the lowest unemployment measure since the pandemic lows. However, the US is still far from restoring pre-pandemic employment levels as it has only recovered 16.7 million of the 22.4 million jobs lost since March 2020. Despite the strong growth in July, economists say the report was likely conducted too soon to encompass the rapid uptick of Delta driven Covid cases, giving rise to uncertainty regarding the future of the economic recovery.

Exhibit 1

Total nonfarm payrolls, change from previous month

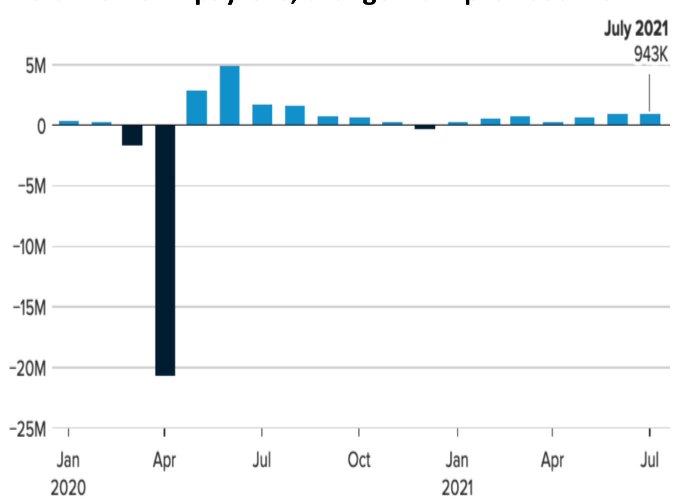
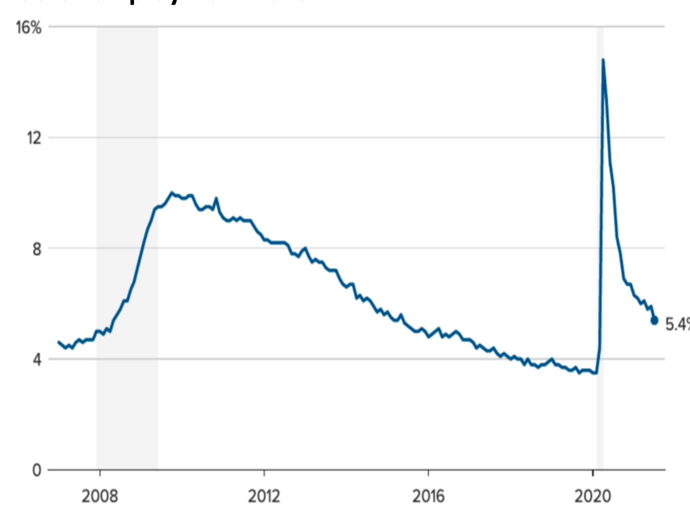


Exhibit 2

US Unemployment Rate



Source: Bureau of Labor Statistics, CNBC. Data is seasonally adjusted. Note: Shaded areas indicate US recessions.

Withdrawal from Afghanistan

The US completed the removal of its troops from Afghanistan on Monday, August 30th, marking the end of the 20-year war. In the past few weeks, over 120,000 Americans, citizens of US allies, and Afghan allies were withdrawn from the country by military cargo aircraft. Though the evacuation efforts were massive in scale, they were also dangerous as 13 US service members and almost 200 Afghans were killed by a suicide bombing outside of Kabul airport on Thursday, August 26th. As ISIS-K claimed responsibility for the attack, President Joe Biden retaliated with a drone strike that Friday which was said to have killed two "high-profile" ISIS-K members. Additionally, the US launched a second airstrike on Sunday that targeted an ISIS-K vehicle filled with explosives which was perceived as a threat to the airport. The strike successfully hit the car and was said to have killed suspected suicide bombers, but it's also believed to have killed 10 Afghan civilians, according to witnesses. Despite completion of the removal, Secretary of State Antony Blinken stated that 100-200 Americans still remain in the Taliban controlled country.

The Commerce Department: Spending, Income, and Inflation

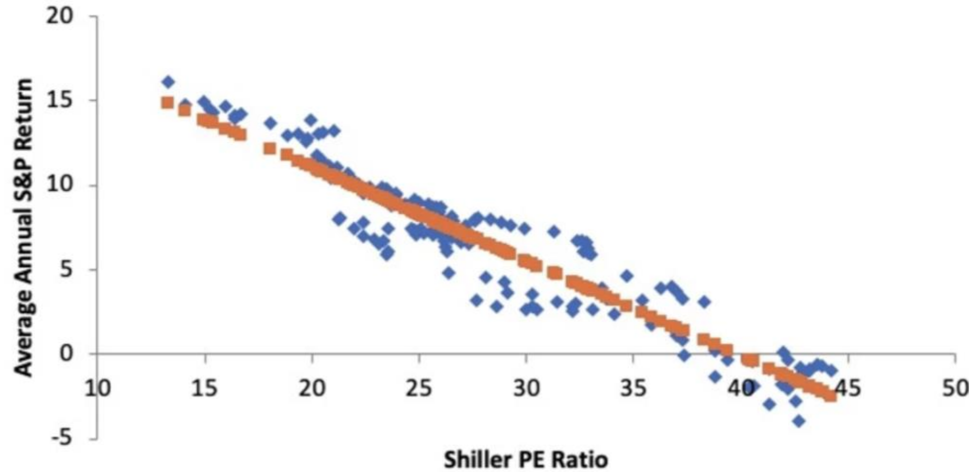
As of Friday, August 27th, the Commerce Department reported that growth in US consumer spending slowed to 0.3% in July, down to not even a third of June's rise of 1.1%. With infections surging and business limitations & mask requirements returning, economists believe consumers may be dialing back their spending in fears of the Delta variant. Moreover, the Commerce Department stated that personal income jumped 1.1% in July, exceeding forecasts and marking the biggest increase since March earlier this year. The rise in compensation was likely fueled by both the month's strong jobs gain and advance child tax credit payments which began in July. On a monthly basis, inflation pressures edged down slightly as the both the consumer price index (CPI) and the core consumer price index (core CPI), exclusive of energy and food, increased at smaller measures in July than the month prior. However, on a 12-month basis, CPI and core CPI rose 4.2% and 3.6%, respectively, reaching their highest levels in almost thirty years and keeping inflation concerns elevated.

Have we reached Peak Sentiment?

Using Robert Shiller's cyclically adjusted price to earnings ratio (CAPE) as an estimator of future stock returns has been fiercely debated in the investment community. Should you be worried about a high CAPE ratio? A recent article from Advisor Perspectives highlighted how high CAPE ratios have historically resulted in low S&P 500 returns as seen in the chart below. Though a powerful tool to assess the state of affairs with regards to valuations, using the CAPE ratio when managing portfolios is difficult as it is not great at timing. There are also more effective valuation and risk management techniques that better serve for managing portfolios. Perhaps a greater concern for markets is that we have likely reached peak sentiment. Given valuations are extremely elevated, equity allocations are at all-time highs, and earnings growth & macro data have soared since their March 2020 lows, what is the catalyst to take risk assets higher?

Exhibit 3

CAPE Predicted 10-Year S&P Returns vs. Actual Returns 1995-2020



Source: Advisor Perspectives