

Retirement Point

NEWS FOR PLAN SPONSORS AND PARTICIPANTS

August 2021

The Cryptocurrency Conundrum

It's more important than ever to be aware of your risk tolerance.

U.S. Markets

Last month, the stock market posted a solid gain, overcoming investors' fears of higher inflation and an increase in COVID-19 cases.

The Dow Jones Industrial Average picked up 1.25 percent, while the Standard & Poor's 500 Index gained 2.27 percent. The Nasdaq lagged, climbing 1.16 percent.¹

A Wall of Worry

Climbing a wall of worry, investors weathered a choppy month as markets digested a jump in consumer prices and the continued spread of the Delta variant.

Inflation, which has been an increasing concern, hit levels not seen in decades. Consumer prices in June rose 5.4 percent, the biggest monthly gain since 2008. Meanwhile, producer prices, often a harbinger of future consumer prices, surged 7.3 percent from a year earlier. But both reports were primarily met with a collective shrug by investors.²

More troubling, however, was the global spread of the Delta variant. Throughout the month, investor anxiety grew around fears that a resurgence of COVID-19 cases could stall further economic recovery.

Corporate Profits

As July closed, 221 Standard & Poor's 500 companies had reported earnings, with 91 percent of those companies beating Wall Street's estimates. Companies also reported strong sales, topping estimates by nearly 24 percent.³

Stocks took a breather in the final week, despite the Federal Reserve's renewed assurances that its near-zero interest rate policy would remain in place.⁴

MARKET INDEX	Y-T-D CHANGE	May 2021
DJIA	14.14%	1.25%
NASDAQ	13.85%	1.16%
S&P 500	17.02%	2.27%
YIELD	YTD	May 2021
10 YR TREASURY	0.32%	1.24%

Sources: Yahoo Finance, July 31, 2021.

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

Monthly Quote

"Believe you can and you're halfway there."

THEODORE ROOSEVELT

Tip of the Month

Have you talked to your spouse or partner about your retirement goals? This is vital. See how your individual visions of retirement correspond or differ.

The Monthly Riddle

An auto dealership sold 150 cars in a special 6-day tent sale offer. Each day the dealership sold 6 more cars than the day before. How many cars were sold on the 6th day?

Last month's riddle:

You stand 8' away from a door. With each move, you advance half the distance to the door. How many moves will it take to reach the door?

Last month's answer:

You will never actually reach the door. If all you do is advance half the distance to the door with every move, you will simply get closer and closer to it but still have half of the remaining distance left.

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The Cryptocurrency Conundrum

It's more important than ever to be aware of your risk tolerance.

Recently, you may have seen a number of major cryptocurrencies fall thanks to a continuing sell-off that began last week. In fact, over \$250 billion was lost in the crypto market alone.¹

It may be tempting to view this as another volatile moment in the crypto markets, but there's more at work here than a temporary trend towards selling.

Prior to this moment, over 50% of the world's cryptocurrency was mined in China using custom-built computers with a high hashrate. Hashrate, or the rate at which calculations can be performed, is a crucial factor for those who "mine" cryptocurrency. The higher the hashrate, the more calculations that can be completed per second, and the more cryptocurrency that can be mined.²

However, these super-powered machines also require a phenomenal amount of power—enough to overload local infrastructure in some cases.³

This has led to China directing its electric companies to cut power to major crypto-mining operations across the country. The question is, why now? There may be multiple reasons, but the Chinese government has claimed that it's acting now because of concerns around crypto's volatile price, concerns over electricity use, and cryptocurrency's potential use for money laundering and illegal dealings.⁴

With all of this in mind, it's more important than ever to be aware of your risk tolerance if you're thinking about exploring cryptocurrency. Cryptocurrency is not a currency at all. It's a speculative asset class that is not appropriate for everyone. Only people with a high-risk tolerance should consider cryptocurrency assets.

Like other alternative assets, cryptocurrency can be illiquid at times, and its current values may fluctuate from the purchase price. Cryptocurrency assets can be significantly affected by a variety of forces, including government decisions, economic conditions, and simple supply and demand.

Give us a call today if you have any questions about the above, or just want to chat. We're always here to help!



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2. CNBC.com, July 17, 2021
3. Twitter.com/EarningsScout, July 29, 2021
4. The Wall Street Journal, July 28, 2021
5. Sectorspdr.com, July 31, 2021

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2. Theverge.com, June 23, 2021
3. Visualcapitalist.com, 2021
4. Reuters.com, May 21, 2021