

September 2021

THE EDUCATED INVESTOR

A GUIDE TO RETIREMENT PLANNING

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| Is there a bubble in the real estate market?

Key Takeaways

- Rising home prices have many worried about a real estate bubble like 2007.
- While rising home prices may look a lot like 2007 on the surface, the circumstances driving home prices higher today are different and don't resemble a bubble many are worried about.

If you know anyone who is in the market for a home, then you have likely heard anecdotes on how they were outbid multiple times with offers higher than the asking price. Home prices across the nation have soared over the past year. This rapid increase has unsurprisingly raised concerns of another housing bubble. In 2007, a housing bubble propped up by low-quality mortgages burst and led to a financial crisis and a global recession. So, are we in for a repeat?

The circumstances driving prices higher today are different than 2007. A closer look may help understand the fundamentals of today's real estate boom.

Low mortgage and high savings rates have improved home affordability: While this may be shocking, despite higher home prices, housing affordability has risen with record low mortgage rates. The trend in the 30-year mortgage rate is remarkable from a record high rate of 18.6% in 1981, to roughly 6.5%



in 2007, to below 3% in 2021.¹ Lower mortgage rates reduce the percent of one's income being spent on a mortgage payment and can improve affordability.

In addition to low interest rates, consumers benefited from an increase in savings. Some U.S. consumers are flush with cash right now because they were unable to spend on typical purchases during the shutdown. In addition, Congress supplied the economy with trillions of dollars in fiscal support. While the pandemic did lead to financial devastation for many and fiscal support partially or fully replaced lost income, not everyone was impacted. Many consumers remained employed and collected additional financial support during a turbulent time for all. This historic environment contributed to an excess savings buffer of \$2.5

trillion.² Add to that the incredible rise in the stock market driving investment accounts higher, as well.

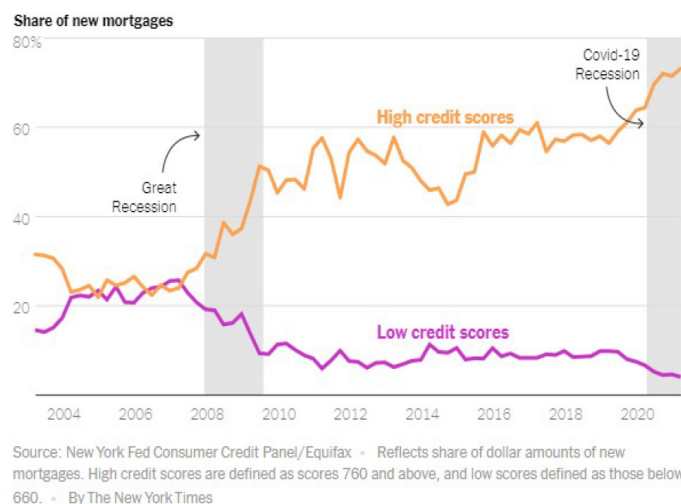


Source: Forbes, Freddie Mac, US Census Bureau

With historic low mortgage rates, higher savings and larger investment accounts, consumers have more to spend on mortgage payments. The chart above shows, despite a sharp increase in median home prices, mortgage payments as a percent of household income has become more affordable.³ This remains in sharp contrast to 2007.

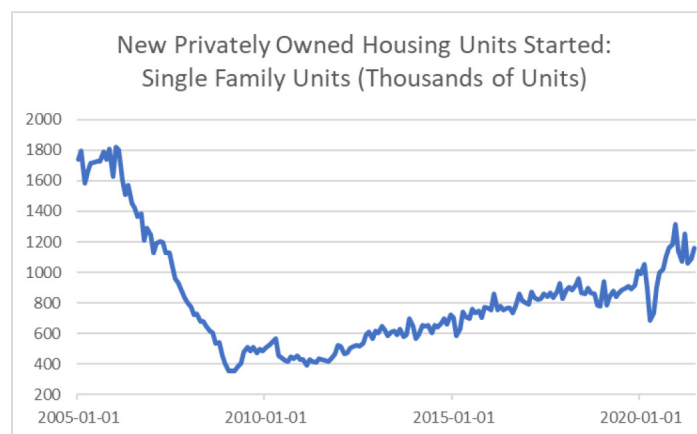
Homebuyers are in better financial health: In 2007, stories of no-income, no-down payment, no-verification mortgages were common. Today, banks have adopted higher lending standards. A simple way to see this is in the percent of mortgages issued today to consumers with high credit scores (greater than 760). Unlike 2007, where people with low credit scores (below 660) were granted more new mortgages than people with high credit scores, today 73% of mortgages issued in the first quarter of 2021 went to consumers with high credit scores.⁴

Housing supply remains constrained: The inventory of homes for sale fell dramatically after 2007⁵ and has not kept up with demand. A few of the most common reasons for low inventory are the lack of property developers, shortages in construction labor, increased cost for raw materials and increased regulations. High demand and low supply have driven prices even higher.



Source: New York Fed Consumer Credit Panel/Equifax - Reflects share of dollar amounts of new mortgages. High credit scores are defined as scores 760 and above, and low scores defined as those below 660. - By The New York Times

While rising home prices may look a lot like 2007 on the surface, the underlying fundamentals are different from back then. Despite this, many will still be frustrated as high home prices have priced out many buyers. Home prices have risen due to a confluence of record low mortgage rates, increased savings, improved affordability, and low housing inventory. Pair that with healthier lending standards and these fundamentals don't resemble a bubble many are worried about.



Source: FRED, US Census Bureau

¹ <https://fred.stlouisfed.org/series/MORTGAGE30US>

² <https://www.blackrock.com/us/individual/literature/whitepaper/systematic-fixed-income-outlook-summer-2021.pdf>

³ <https://www.forbes.com/sites/rauelizalde/2021/06/23/home-prices-are-soaring-but-also-most-affordable-in-generations/?sh=462e91866c39>

⁴ <https://awealthofcommonsense.com/2021/07/the-biggest-differences-between-now-the-housing-bubble/>

⁵ <https://fred.stlouisfed.org/series/HOUSTF>

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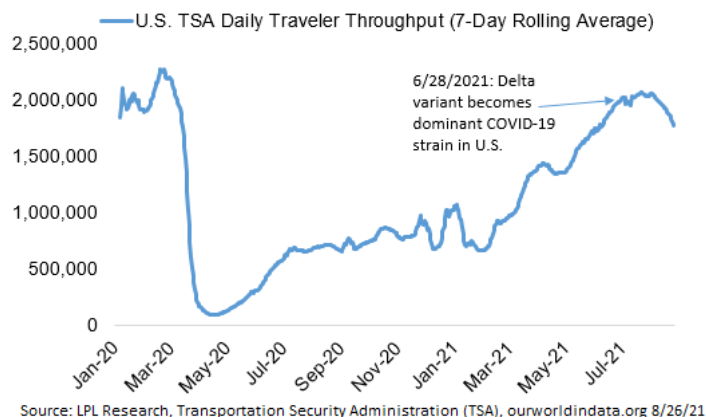
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How is Delta Affecting Consumer Behavior?

How is the recent increase in COVID-19 cases in the United States linked to the spread of the Delta variant affecting the U.S. consumer's behavior? We look at some consumer confidence focused high-frequency data for clues on how this uptick in COVID-19 cases appears to be moderating behavior rather than having the dramatic effects that lockdowns had on economic activity.

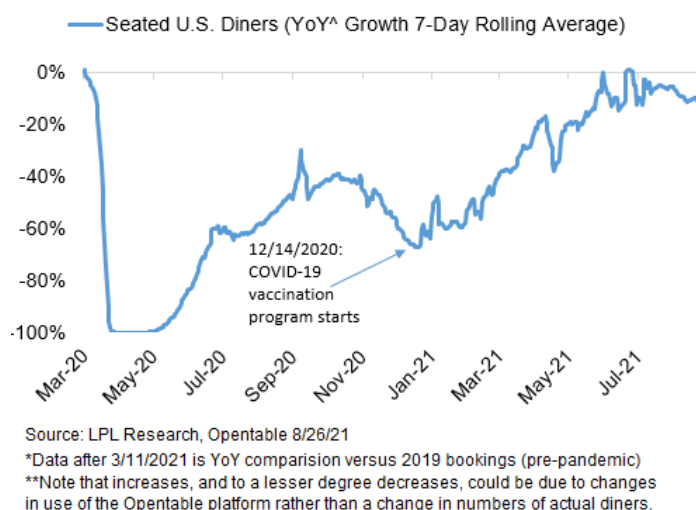
“The Delta variant has weakened consumer confidence which has, in turn, added extra caution to our outlook,” explained LPL Financial Chief Market Strategist Ryan Detrick. “But widespread lockdowns seem unlikely and we see inventory replenishment and pent-up consumer demand as key reasons to remain bullish on the US economic recovery.”

Air Travel Recovery Hits Mild Turbulence



High-frequency data from the TSA shows that air traffic through U.S. airports recovered to about 80% of pre-pandemic 2019 levels, peaking around the end of July at just over 2 million passengers per day. Since then the number of passengers has dropped by about 14%, however the influence of the Delta variant looks tempered as around 11% of this decrease would have been expected in a pre-pandemic environment related to the end of summer and children going back to school.

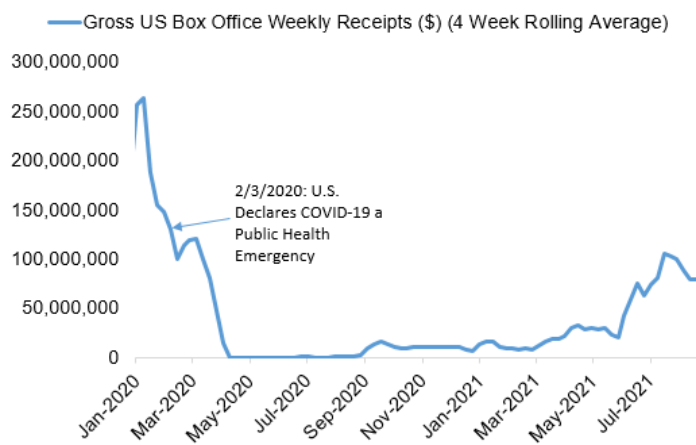
Restaurant Bookings Down Marginally



Data on U.S restaurant diners from Opentable shows a similar recovery from the pandemic lows of -100% to eclipsing pre-pandemic levels at the end of June of this year. There has been a slight dip since that full recovery and reservations are now down 10% versus pre-pandemic levels. The national data masks wide

discrepancies in the data between different states and cities such as Nevada and Las Vegas showing increases of 38%** vs 2019 bookings even as New York state has seen a 38% decline and San Francisco has fallen 56% for the same period.

Box Office Slows After Summer Pickup



Source: LPL Research, Boxofficemojo.com 8/26/2021

U.S theatre box office sales show the appetite to go to the movies has waned slightly during the past few weeks, from a peak in mid-July and it is still extremely depressed compared to pre-pandemic levels. Even at the recent peak ticket sales are less than half of the average weekly level for 2019.

There are a couple of unique factors that could be causing this data to recover more slowly than airline tickets and restaurant bookings. Demand for theatre tickets could have been permanently reduced by the substitute product of direct-to-consumer movie releases. There is also a supply issue, with studios not wanting to release their blockbuster movies in an environment where they could be playing to sparse crowds (due to any social distancing requirements or consumers choosing to moderate behavior and stay home).

As we continue to keep a close watch on how the Delta variant unfolds across the U.S, and its potential impacts on the economy and markets, we believe that there is a lack of appetite for renewed stringent lockdowns. More likely the Delta variant may have a smaller drag on the economy from the moderations in consumer behavior as shown in the high-frequency data. While other concerns like inflation and some recent data disappointments remain, we believe we're still in the middle of a robust economic recovery with a solid outlook, which should provide a supportive backdrop for equities.

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All index and market data from FactSet and MarketWatch.

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SpaceX launches ants, avocados, robotic arm to space station

A SpaceX shipment of ants, avocados, and a human-sized robotic arm rocketed toward the International Space Station on Sunday, August 29th.

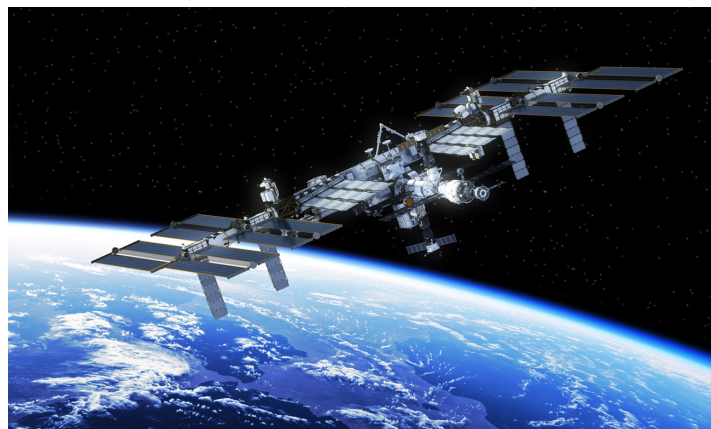
The delivery — that arrived Monday, August 30th — is the company's 23rd for NASA in just under a decade.

A recycled Falcon rocket blasted into the predawn sky from NASA's Kennedy Space Center. After hoisting the Dragon capsule, the first-stage booster landed upright on SpaceX's newest ocean platform, named "A Short-fall of Gravitas." SpaceX founder Elon Musk continued his tradition of naming the booster-recovery vessels in tribute to the late science fiction writer Iain Banks and his Culture series.



The Dragon is carrying more than 4,800 pounds (2,170 kilograms) of supplies and experiments, and fresh food including avocados, lemons and even ice cream for the space station's seven astronauts.

The Girl Scouts are sending up ants, brine shrimp and plants as test subjects, while University of Wisconsin-Madison scientists are flying up seeds from mouse-ear cress, a small flowering weed used in genetic research. Samples of concrete, solar cells and other



materials also will be subjected to weightlessness.

A Japanese start-up company's experimental robotic arm, meanwhile, will attempt to screw items together in its orbital debut and perform other mundane chores normally done by astronauts. The first tests will be done inside the space station. Future models of Gitai Inc.'s robot will venture out into the vacuum of space to practice satellite and other repair jobs, said chief technology officer Toyotaka Kozuki.

As early as 2025, a squad of these arms could help build lunar bases and mine the moon for precious resources, he added.

SpaceX had to leave some experiments behind because of delays resulting from COVID-19.

It was the second launch attempt; Saturday's try was foiled by stormy weather.

NASA turned to SpaceX and other U.S. companies to deliver cargo and crews to the space station, once the space shuttle program ended in 2011.

Title: SpaceX launches ants, avocados, robotic arm to space station
Source: <https://nypost.com/2021/08/29/spacex-launches-ants-avocados-robotic-arm-to-international-space-station/>
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Blue Cheese Stuffed Mushrooms



INGREDIENTS:

- 1 lb. medium fresh mushrooms
- 1/4 cup sliced green onions
- 1 Tbsp. butter or margarine
- 1 pkg. (4.5 oz.) ATHENOS Crumbled Blue Cheese
- 3 oz. PHILADELPHIA Cream Cheese, softened (can use microwave to soften)

INSTRUCTIONS:

1. Preheat broiler. Remove stems from mushrooms; chop stems. Cook and stir stems and onions in butter in small skillet on medium heat until tender.
2. Add blue cheese and cream cheese; mix well. Spoon evenly into mushroom caps; place on rack of broiler pan. (For more tender mushrooms, bake or sauté the mushroom caps for 5-6 minutes before you stuff and bake them.)
3. Broil 2 to 3 min. or until golden brown. Serve warm.

What's in Season for September?



Mushrooms

Avocados
Bananas
Beets
Bell peppers
Blueberries
Bok Choy
Broccoli
Brussels Sprouts
Carrots
Cauliflower



Apples

Celery
Corn
Eggplant
Grapes
Green Beans
Greens
Leeks
Lemons/Limes
Mango
Melons



Raspberries

Okra
Papaya
Pears
Pomegranates
Potatoes
Pumpkin
Strawberries
Sweet Onions
Sweet Potatoes
Tomatoes

SERVINGS: 8



Prep Time: 33 Minutes

Sources: <https://www.myfoodandfamily.com/recipe/051320/blue-cheese-stuffed-mushrooms>; Produceforkids.com



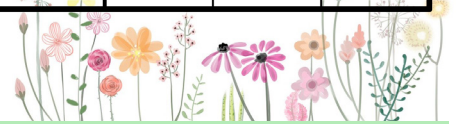
The Sudoku Section



						6		
8				2	4			
5		1			3		8	
6				3				
						4		2
2			1		6	3	5	
			2	7		8		
	3		8					
7	6					5		

6	2	5	1	4	3	8	9	7
1	4	7	5	9	8	2	3	6
9	3	8	6	7	2	5	1	4
7	5	3	9	8	1	6	4	2
2	9	4	7	5	9	3	8	1
8	1	6	2	3	4	7	5	9
4	8	2	3	6	9	1	7	5
3	7	1	4	2	5	9	6	8
5	6	9	8	1	7	4	2	3

The answers



September Special Days & Holidays

(Life Insurance Awareness Month)



4th- Wildlife Day

6th- Labor Day

& Rosh Hashanah Begins

11th- Patriot Day (9/11 Remembrance)

12th- Grandparents Day

14th-18th- Medicare Week

16th- Working Parents Day

21st- International Day of Peace

& Senior Citizen Day

22nd- First Day of Fall &

Business Women's Day

24th- Native American Day

26th- Family Day

29th- Coffee Day

Source: www.printmysudoku.com