

August 2021

THE EDUCATED INVESTOR

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Beyond the inflation headlines

Key Takeaways

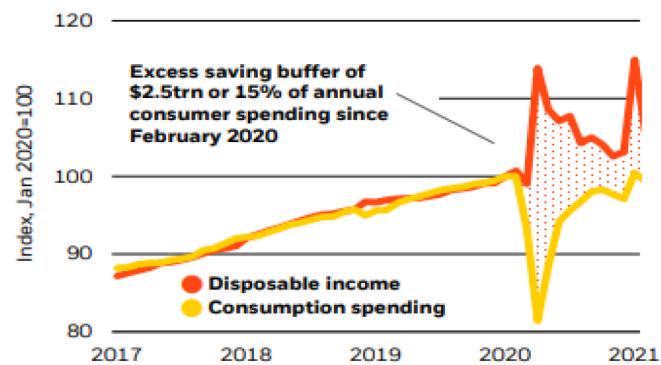
- Inflation concerns remain central in 2021.
- While there are a number of factors contributing to rising inflation, the risk of runaway remains low.
- For investors the key going forward is to watch for sustained and broader price increases, not just short-term price spikes.

Inflation remains a topic of concern in 2021. There are two key measures of inflation, the Consumer Price Index (CPI) and the Federal Reserve's (Fed) preferred measure of Core Personal Consumption Expenditures Price Index (PCE). Both indexes have shown near-term spikes in price increases, well above the Fed's target of 2%. The latest reading for CPI increased 5.4% from June 2020 to June 2021, the highest 12-month increase since August 2008.¹

For investors, the million-dollar question is whether today's price increases are the start of a lasting trend that could derail the economy or merely a transitory period from the economic reopening. While it's challenging to answer that question with certainty, a closer look at what is driving the price increase may help investors prepare for what's next.

Prices rise when demand exceeds supply and demand is often high when consumers have cash to spend. In the U.S., some 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, or 15% of annual consumer spending, since February 2020.²

U.S. disposable income vs. consumer spending

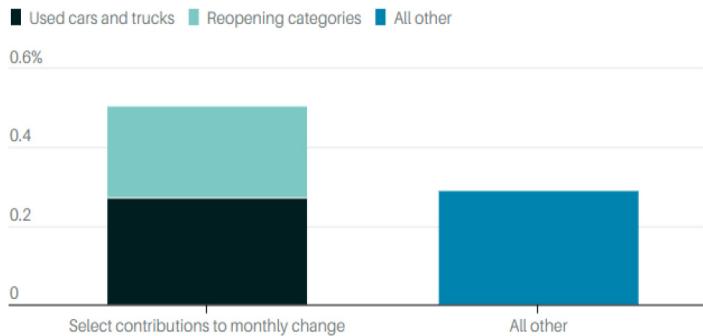


Source: BlackRock Investment Institute, Bureau of Economic Analysis, U.S. Treasury Department, with data from Haver Analytics, April 2021. Chart shows U.S. nominal household disposable income (orange line) and nominal personal consumer spending (yellow line).

In addition, increased demand has been met with supply-chain disruptions as companies are just catching up after being shut down. According to Barron's, the majority of price increases in spring of 2021 were in categories such as travel, lodging, used cars, and in select areas of the economy that were hit especially hard by the pandemic - these normally account for just 13% of consumer spending.³ While these categories have seen prices rise rapidly, prices for airline tickets and hotels still remain below prepandemic levels. In other words, because prices collapsed in the spring of 2020, measuring inflation year-over-year will appear extremely high from a low baseline.

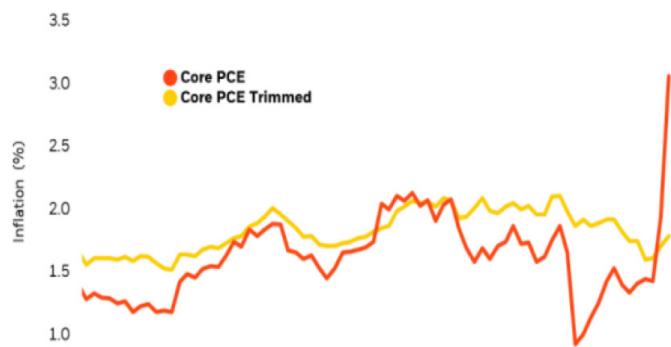
Most the increase in the CPI came from categories with a combined weight of 13%.

Sources of one-month change in the consumer-price index in April



Finally, it's important that investors don't mix short-term price hikes with broad inflation. Price increases in select areas tied to the unique challenges of the economic reopening is not the same as broad-based inflation. When the outliers mentioned earlier are accounted for, the inflation data as measured by the Core PCE Trimmed shows prices closer to 2% rather than the sharp spike seen in the broad Core PCE index.⁴

Controlling inflation measures for outliers



While there are a number of factors contributing to rising inflation, the risk of runaway inflation remains low. Improvements to supply shortages and reduced fiscal benefits should potentially alleviate concern over long-term inflation. For investors, the key going forward is to watch for sustained and broader price increases, not just short-term price spikes.

¹ <https://www.bls.gov/news.release/pdf/cpi.pdf>

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

³ <https://www.barrons.com/articles/retirement-challenges-help-51625849597>

⁴ <https://www.blackrock.com/us/individual/literature/whitepaper/systematic-fixed-income-outlook-summer-2021.pdf>

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Covid: No quarantine for fully vaccinated US and EU travelers

People who were fully vaccinated in the EU or US will not need to isolate when traveling to England, Scotland, and Wales from an amber list country. The change will come into force on Monday, August 2nd.

Currently, only vaccinated individuals in the UK can avoid quarantine when arriving from amber list countries, except France. The UK government said the rule change would help to reunite family and friends whose loved ones live abroad.



Transport Secretary Grant Shapps said it would apply to people who have been fully vaccinated approved by the EU or US. Travelers will still need to take either a lateral flow or PCR test pre-departure and a PCR test on the second day after they arrive.

Individuals under 18 will be exempt from isolation, and some will not have to test depending on their age.

The extra testing measures resulted as a further 27,734 cases were reported in the UK, bringing an end to a seven-day run of falling case numbers. However, Wednesday's case figure was down significantly from a week ago, when 44,104 cases were reported. Another 91 deaths within 28 days of a positive test were also reported.

Tougher rules will continue to be in place for France, which is on the amber list but still requires travelers to quarantine when they return, even if they are fully vaccinated. Mr Shapps said this advice would be reviewed at "the end of next week" as part of the rolling assessment of travel rules. As part of the changes, international cruise ships will be able to depart from England on August 2nd- after a 16-month pause.

At-a-glance: latest changes

- People fully-jabbed in the EU or US will not need to isolate when coming to England, Scotland, and Wales from an amber list country.
- The change is introduced from 11 am ET on Monday.
- Travelers will still take a pre-departure test, and a PCR test on or before day two after arrival.
- They will need to have taken a vaccine approved by the European Medicines Agency, or US Food and Drug Administration.
- International cruises can depart from England once more with new guidance.

Scottish Transport Secretary Michael Matheson said the change to the rules would provide "a boost for the tourism sector and wider economy while ensuring public health is protected". He added that the change would be "carefully monitored by clinicians and kept under close review".

The Welsh government said the move posed "clear public health risks" - but its shared open border with England made it "ineffective" to have different arrangements. Welsh health minister Eluned Morgan said vaccines would reduce the risks but only if they were effective against any new variants of concern and cautioned against international travel for non-essential reasons this summer.

In Northern Ireland, fully-vaccinated travelers from amber list countries have not needed to self-isolate since July 19th, subject to testing.

But what about children?

- Children under 18 who are ordinarily resident in the US and EU will be exempt from isolation.
- Those under five years old do not need to test at all.
- Children between the ages of five and ten will only need to complete a PCR test on day two after arrival.
- 11 to 17-year-olds will need a pre-departure test and a PCR test before or on day two. Airlines UK, which represents big carriers, said the move would offer "a lifeline for thousands of businesses reliant on international inbound travel".



Joss Croft, of trade association UKinbound, said it would "allow the £28bn inbound tourism sector, which supports over 500,000 jobs across the UK, to finally restart". Although US citizens will soon be able to avoid quarantine in England, Scotland, and Wales, they are being urged not to travel to the UK by their country's health protection agency, the Centers for Disease Control and Prevention. And the US border is currently closed to the UK, as well as many other countries, except for US citizens.

The UK and US have set up a taskforce to discuss a travel corridor, although earlier this week the White

House said it had no plans to lift Covid-19 travel restrictions for non-Americans. But Prime Minister Boris Johnson told LBC on Wednesday that "we're talking to them the whole time".

Family and friends reunited

For 70-year-old Patricia Duncan in Spain, the changes will mean she can travel to England and be on hand to support her daughter ahead of an operation - without needing to isolate.

"I have another friend with mental health issues who is desperate for me to visit," she says.

"Normally I travel three or four times a year to see my family and friends, and it's been a long time. So I'm very glad that is happening."

But Fiona Clarke in Portugal says the cost of Covid testing is still a barrier for her to visit family in Brighton.

"I think we'll look very carefully, we'll wait and see what happens with the testing," she says.

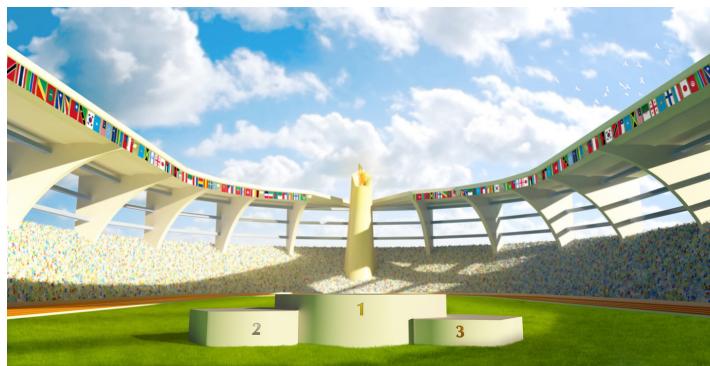
Labor deputy leader Angela Rayner said she had "real concerns" over the plan - saying: "Each individual US state does things differently," she said. "They don't have a National Health Service that has a vaccine program like we do with the certifications."

"So we're really concerned about making sure that new variants do not come into the UK and that we do have a system that identifies where we have variants of Covid where infection is and we're able to isolate it."

Title: Covid: No quarantine for fully jabbed US and EU travellers
Source: <https://www.bbc.com/news/uk-57999362>
Author: George Bowden & Francesca Gillett
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CEO describes the 'holy grail' of legal gambling in America

A recent survey out from the American Gaming Association found that more than 20 million Americans planned to bet on the summer Olympics. And as more states legalize sports betting in the U.S., Americans may find more creative ways to gamble, according to Versus Game CEO John Vitti.



Looking to the future, he said, the sports betting industry may become more user-directed. "I think the next big wave is basically self-driving content, where people are going to create their own questions, their own predictions, and let other people play," Vitti told Yahoo Finance Live in an interview on Friday. "I think that the holy grail is user-generated content ... That's kind of what Versus Game is doing. We're letting people, the masses, not only play but pick what they want to play, and create those games, and share it with their friends."

Versus Game is a consumer prediction service that provides a platform for speculation on sports contests. Founded in 2019, the company recently launched its own gaming economy that gives users more control in setting up their own sports prediction matchups. On the website, which is accompanied by an app, users are rewarded through payments for correct predictions.

The rise of sports betting in the U.S.

Though sports betting may be on the rise globally, it has been highly regulated in the U.S. However, in 2018 the Supreme Court struck down a law that prohibited sports betting in most of the U.S., paving the way for states to begin legalizing the practice. Today, betting on sports events is legal in over 20 states.

This makes the Tokyo Summer Olympic games the first where millions across the U.S. are allowed to place bets. Speaking to Yahoo Finance last week, Vitti pointed out that the Olympics has generated a great deal of enthusiasm among bettors. The restriction of sports in general during the early stages of the pandemic may have contributed to the recent fervor surrounding sports betting, he said.

"And then as far as the Olympics and just sports are concerned, during COVID, during quarantine, there were none," he said. "People were bummed out [that] they couldn't watch their favorite teams. They couldn't rally. That sense of community wasn't really there, and now it's just out of the gates."

The Tokyo Olympics, postponed from last year after the coronavirus pandemic disrupted international travel, announced the decision to not allow spectators at events earlier this month. The lack of in-person spectatorship came with financial repercussions to the Olympic economy and a loss of tourism for Japan. Still, sports betting can be a way for fans of the games to become more engaged participants even when they can't attend the games in person. "Everybody wants [to turn] from a passive watcher to an active participant," Vitti said, "and they can't really get on the field with some of these athletes."

Title:CEO describes the 'holy grail' of legal gambling in America
Source: <https://finance.yahoo.com/news/ceo-describes-the-holy-grail-of-legal-gambling-in-america-153603322.html>
Author: Ihsaan Fanusie
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S'mOreos



INGREDIENTS:

- 4 Oreo cookies
- 3 tablespoons creamy peanut butter
- 4 whole graham crackers, halved
- 1 milk chocolate candy bar (1.55 ounces), quartered
- 4 large marshmallows

SERVINGS: 4

Prep Time: 15 Minutes



What's in Season for August?



Eggplant



Green Beans



Grapes

Apples

Avocados

Bananas

Beets

Bell peppers

Blackberries

Blueberries

Bok Choy

Broccoli

Carrots

Cauliflower

Celery

Cherries

Corn

Greens

Leeks

Lemons/Limes

Mango

Melons

Mushrooms

Papaya

Pears

Potatoes

Raspberries

Stone Fruit

Strawberries

Summer Squash

Sweet Onions

Tomatoes

Zucchini

Sources: <https://www.tasteofhome.com/recipes/s-moreos/>; [Producforkids.com](https://www.producforkids.com)



The Sudoku Section

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

The answers

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



August Special Days & Holidays

(Family Fun Month)



July 23rd - Aug 8th- Summer Olympics

12th- Baseball Fans Day

1st- Sister's Day & Friendship Day

14th- Financial Awareness Day

4th- Coast Guard Day &

17th- Nonprofit Day

Chocolate Chip Cookie Day

20th- Lemonade Day

7th- Taxpayer Appreciation Day

21st- Senior Citizen Day

8th- International Cat Day

25th- National Park Service Day

Source: www.printmysudoku.com