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Please make sure to read John Stewart's article " Is The Growth Bubble Popping?" below.

## Most Large Employer Health Plans Include Telemedicine

Over the past five years, employer enthusiasm for telemedicine benefits has surged. Almost 9 out of 10 large employers now offer employees the opportunity to virtually visit their health-care providers.


Source: Mercer National Survey of Employer-Sponsored Health Plans 2019

# Is the Growth Bubble Popping?

After a relentless push higher in August, stocks are off to a bit of a rough start in September. This month, in fact, is actually the weakest month of the year (on average) for the S&P 500 Index. August is the second weakest month of the year on average, but that was certainly not the case this year. The S&P 500 was up 7% last month while the NASDAQ (heavy in Growth/Technology stocks) was up more than 11%. The market action in certain stocks, specifically Apple (AAPL) and Tesla (TSLA), reached a stage that could only be described as a frenzy. Leveraged bets using call options on many hot stocks like AAPL and TSLA hit never before seen levels of volume. Much of the activity was being driven by individual investors through online trading platforms like Robinhood. Then came September. In three trading days, from September 2nd through September 8th, the NASDAQ fell more than 10%. Many individuals likely saw their short-term call option bets wiped out as the market taught novice investors an important lesson: there is no such thing as free money on Wall Street.

While this may not necessarily be the end of the road for the high-flying growth stocks of 2020, many of them have likely seen their peak prices for the foreseeable future. Many more are likely to underperform from these price levels for a long time going forward as disciplined investors realize that there exist hundreds of high-quality companies with rich cash flows valued at much more reasonable prices. The difficult task for investors is to determine which companies present good values in the current market environment versus the companies that are cheap for a reason. Nevertheless, suffice it to say that the 70% excess return on the Russell 1000 Growth Index over the Russell 1000 Value Index during the past three years is not likely to be repeated in the coming three years.

After the initial economic reopening phase drove improvement in business activity in the wake of COVID-inspired shutdowns, we are starting to see some signs of a leveling off in the data. Meanwhile, signs of an acceleration in the prices of many good and services, i.e. inflationary pressures, is becoming more apparent. This comes at a time when the Federal Reserve is now pledging to allow inflation to run above their 2 percent target rate in order to make up for past shortfalls. Whether or not this policy is prudent is a conversation for another day; however, for now it is likely to begin the process of incrementally raising inflation expectations on the part of market participants. This is a theme we have been discussing for many months now, and we continue to believe that this is the least-appreciated risk facing investors. Owning some assets in your portfolio that will protect you against this risk would be prudent. Commodities, real estate, inflation-protected securities, and securities denominated in currencies that are not the U.S. dollar are a few that fit this bill.

# Printing Money: The Fed's Bond-Buying Program

The Federal Reserve's unprecedented efforts to support the U.S economy during the COVID-19 pandemic include a commitment by the Federal Open Market Committee (FOMC) to purchase Treasury securities and agency mortgage-backed securities "in the amounts needed to support smooth market functioning and effective transmission of monetary policy."[1]

The Fed buys and sells Treasury securities as part of its regular operations and added mortgage-backed securities to its portfolio during the Great Recession, but the essentially unlimited commitment underscores the severity of the crisis. The Fed is also entering uncharted territory by purchasing corporate, state, and local government bonds and extending other loans to the private sector.

## Increasing Liquidity

The Federal Open Market Committee sets interest rates and controls the money supply to support the Fed's dual mandate to promote maximum employment and stable prices, along with its underlying responsibility to promote the stability of the U.S. financial system. By purchasing Treasury securities, the FOMC increases the supply of money in the broader economy, while its purchases of mortgage-backed securities increase supply in the mortgage market. The key to increasing liquidity — called quantitative easing — is that the Fed can make these purchases with funds it creates out of air.

The FOMC purchases the securities through banks within the Federal Reserve System. Rather than using money it already holds on deposit, the Fed adds the appropriate amount to the bank's balance. This provides the bank with more money to lend to consumers, businesses, or the government (through purchasing more government securities). It also empowers the Treasury or mortgage agency to issue additional bonds knowing that the Fed is ready to buy them. The surge of bond buying by the Fed that began in March helped the Treasury to finance its massive stimulus program in response to the coronavirus.

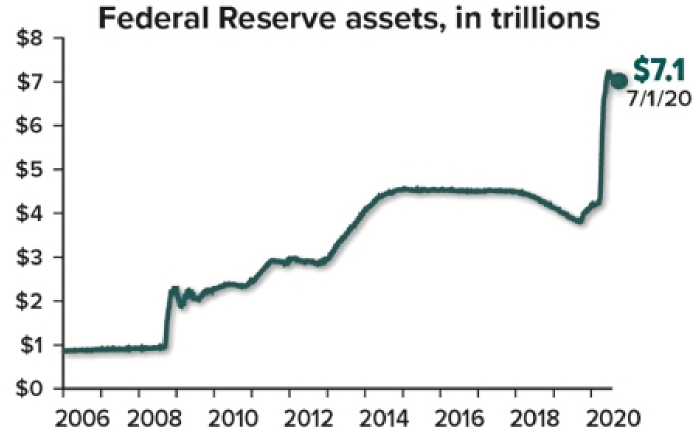
By law, the Fed returns its net interest income to the Treasury, so the Treasury securities are essentially interest-free loans. The principal must be paid when the bond matures, and the bonds add to the national debt. But the Treasury issues new bonds as it pays off the old ones, thus shifting the ever-growing debt forward.

## Protecting Against Inflation

Considering the seemingly endless need for government spending and private lending, you may wonder why the Fed doesn't just create an endless supply of money. The controlling factor is the potential for inflation if there is too much money in the economy.

### Big Balance Sheet

The Federal Reserve's assets grew with quantitative easing during and after the Great Recession. In late 2018, the Fed began to reverse the process by allowing bonds to mature without replacing them, only to back off when markets reacted negatively to the move. The 2020 emergency measures quickly pushed the balance sheet over $7 trillion.




Source: Federal Reserve, 2020

Low interest rates and "money printing" led to high inflation after World War II and during the 1970s, but the current situation is different.[2] Inflation has been low for more than a decade, and the economic crisis has severely curtailed consumer spending, making inflation unlikely in the near term.

The longer-term potential for inflation remains, however, and the Fed does not want to increase the money supply more than necessary to meet the crisis. From a peak of $75 billion in daily Treasury purchases during the second half of March, the FOMC began to gradually reduce the purchase pace in early April. By mid-June, it was down to an average of $4 billion per day and scheduled to continue at that pace through mid-August, with further adjustments as necessary in response to economic conditions.[3]

*U.S. Treasury securities are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. The principal value of Treasury securities fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.*

1) Federal Reserve, March 23, 2020

2) *The Wall Street Journal,* April 27, 2020

3) Federal Reserve Bank of New York, 2020

# Accumulating Funds for Short-Term Goals

Stock market volatility in 2020 has clearly reinforced at least one important investing principle: Short-term goals typically require a conservative investment approach. If your portfolio loses 20% of its value due to a temporary event, it would require a 25% gain just to regain that loss. This could take months or even years to achieve.

So how should you strive to accumulate funds for a short-term goal, such as a wedding or a down payment on a home? First, you'll need to define "short term," and then select appropriate vehicles for your money.

Investing time periods are usually expressed in general terms. Long term is typically considered 15 years or longer; mid term is between five and 15 years; and short term is generally five or fewer years.

The basic guidelines of investing apply to short-term goals just as they do for longer-term goals. When determining your investment mix, three factors come into play — your goals, time horizon, and risk tolerance. While all three factors are important, your risk tolerance — or ability to withstand losses while pursuing your goals — may warrant careful consideration.

**Example:** *Say you're trying to save $50,000 for a down payment on your first home. You'd like to achieve that goal in three years. As you're approaching your target, the market suddenly drops and your portfolio loses 10% of its value. How concerned would you feel? Would you be able to make up that loss from another source without risking other financial goals? Or might you be able to delay buying your new home until you could recoup your loss?*

These are the types of questions you should consider before you decide where to put those short-term dollars. If your time frame is not flexible or you would not be able to make up a loss, an appropriate choice may be lower-risk, conservative vehicles. Examples include standard savings accounts, certificates of deposit, and conservative mutual funds. Although these vehicles typically earn lower returns than higher-risk investments, a disciplined (and automated) saving habit combined with a realistic goal and time horizon can help you stay on course.

*The FDIC insures CDs and savings accounts, which generally provide a fixed rate of return, up to $250,000 per depositor, per insured institution.*

*All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost.*

*Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*