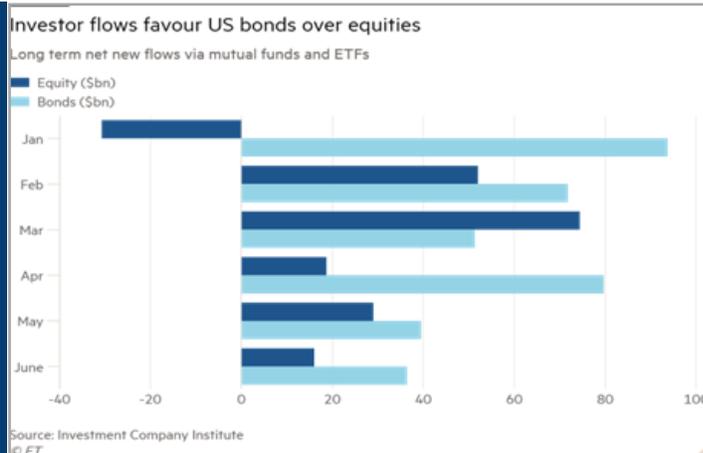


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One measure of individual investor confidence can be seen in equity fund cash flows. Since the panic sale of these funds in March of 2020, the stock market has had a substantial gain. However, flows have continued to be out of stock funds and into bond funds through June of this year even though bond fund yields are near record lows.



To Mask or Not to Mask?

The raging battle between government regulations to require wearing masks to protect against the Covid-19 virus and its variants versus the proponents of freedom of choice to reject those directives is causing havoc at both the state and local levels across America. One critical problem in arriving at a fair resolution in this controversy is the final costs that ultimately could be borne by every U.S. citizen whether vaccinated or not.

As the number of U.S. residents who are vaccinated continues to rise, there remains an enormous number of peoples who refuse to be vaccinated. Part of the burden of costs for the virus is being absorbed by the federal government and that amount is running into the trillions of dollars. Whether vaccinated or not, treatment for contracting the virus is provided virtually free of charge. The estimate for these costs is daunting given all the controversy in Washington over the current administration's proposed multi-trillion dollar fiscal spending program. Some recent statistics regarding treatment, especially for individuals who refuse the vaccine are substantial. For example, In June and July 2021 alone, COVID-19 hospitalizations among unvaccinated adults cost the U.S. health system over \$2 billion. According to Healthtracker.com, "Based on a recent CDC study of 13 jurisdictions, we used a conservative estimate of 86% of COVID-19 hospitalizations were unvaccinated people." Hospitalization costs for each Covid 19 patient is estimated at \$20,000. Insurance companies have waived the charges to the patient and have absorbed these expenditures but that decision may change based on the continued surging overhead of these services.

If insurance companies continue to bear the expenses of all individuals who refuse to take the vaccine, the rising outlays of hospitalizations will undermine the profitability of these companies and will have an impact on their bottom line. On the other hand, the federal government has spent trillions of dollars combating the virus at all levels of government. The current Administration is committed to spending as much as it takes to get the virus under control. There has been little, if any, resistance to continued spending on conquering the virus. Financial markets continue to rally on that government commitment.

"The destruction of America from outside is impossible. If America loses its liberty and ends up faltering, it would be because of the people of the nation who destroyed themselves."

Abraham Lincoln

Market Commentary

After double-digit returns through the end of August, the stock market took a breather during September. One would expect some consolidation after market strength last year and for the first seven months of this year. The contagion of the virus variants and related impact on the economy could be factors that kept the rally in check -- although some indices did hit new highs during the month. Bonds also fell at month's end on the back of inflation fears, a more hawkish Fed and a potential debt default by the government. October spooks some investors given its history, but we are entering third quarter reporting of corporate earnings that should bolster the stock market going forward as we expect year-over-year numbers to be impressive.

U.S. household net worth rose by \$5.8 trillion in the second quarter to a record \$141.7 trillion. A large boost in part from gains in equities and real estate. Equities now represent 29.5% of U.S. net worth.

Source: U.S. Federal Reserve