SEAMOUNT
FINANCIAL GROUP, INC.
REGISTERED INVESTMENT ADVISER

The Laws of Economics Cannot Be Repealed **September 30, 2021**

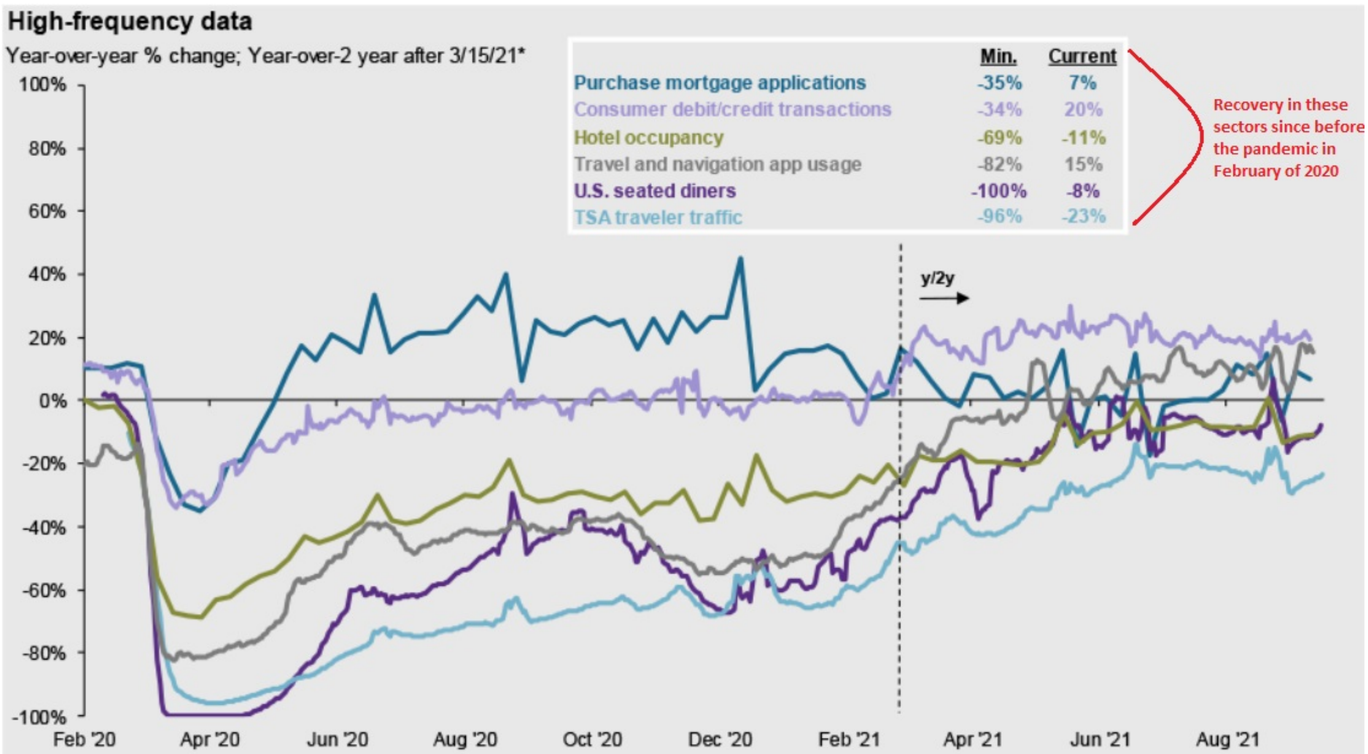
During the spring of 2020, we faced a deep global economic depression that was, thankfully, short-lived. Central banks and governments worldwide had jumped into action to protect the global economy using unprecedented stimulus to provide financial assistance for companies and individuals.

By the early months of 2021, economists raised their expectations for a powerful economic recovery as COVID-19 vaccine rollouts began and global economies reopened in earnest. In an effort to protect the nascent recovery, the Federal Reserve continued to purchase massive amounts of U.S. government bonds and committed to holding interest rates to near zero for an extended period.

The result of these converging events is that global stock markets responded in force with one of the most powerful bull markets in recent history. A swift and dramatic rotation from purchasing growth stocks to buying value stocks occurred. (see chart below) There is a unifying investment theme thus far in 2021: investors big and small showed no fear of risk-taking in asset classes ranging from bonds, stocks, real estate, commodities, cryptocurrencies, and beyond.

Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.
Growth is represented by the Russell 1000 Growth Index and Value is represented by the Russell 1000 Value Index.

Currently, we anticipate moderate inflation that will last for a prolonged period. This is a direct result of proposed policies and infighting by politicians in Washington. D.C., and the current massive monetary stimulus policies of most global central banks. In addition, supply chain problems will likely continue well into 2022. Interest rates may increase as the Federal Reserve tapers its bond purchasing later in 2021 and through mid-2022. However, it is unlikely that the Fed will raise interest rates before the 2022 mid-term elections. Enhanced volatility is anticipated in the global stock markets between now and year-end even though we believe that global economies should continue to display robust growth that was only susupended by the aggressive emergence of the COVID-19 Delta Variant not extinguished.



Source: App Annie, Chase, Mortgage Bankers Association (MBA), OpenTable, STR, Transportation Security Administration (TSA), J.P. Morgan Asset Management. *Beginning 3/15/2021, all indicators compare 2021 to 2019. Prior to 3/15/2021, figures are year-over-year. Consumer debit/credit transactions, U.S. seated diners and TSA traveler traffic are 7-day moving averages. App Annie data is compared to 2019 average and includes over 600 travel and navigation apps globally, including Google Maps, Uber, Airbnb and Booking.com. Consumer spending: This report uses rigorous security protocols for selected data sourced from Chase credit and debit card transactions to ensure all information is kept confidential and secure. All selected data is highly aggregated and all unique identifiable information—including names, account numbers, addresses, dates of birth and Social Security Numbers—is removed from the data before the report's author receives it.
Guide to the Markets – U.S. Data are as of September 30, 2021.

J.P.Morgan
Asset Management

Political and Legislative Uncertainty

President Biden's domestic economic agenda consists of several core themes that affect our economy, such as:

- Expand the reach of government social safety nets beyond retirement benefits, healthcare, and income support, by offering federal guarantees for child care, preschool, and college.
- Extend the federal role of infrastructure and redefine it beyond roads and bridges to include high-speed internet service and caregiving to assist workers who have to stay home and tend to children or the elderly.

- Give Washington more oversight in critical industry developments across the spectrum — from semiconductors to electric vehicles —to compete with foreign rivals and address climate change.

We will continue to watch these negotiations and their outcomes to determine the effects of these massive legislative agendas on financial planning and wealth management strategies.

If We Had a Crystal Ball: Calendar Year 2022

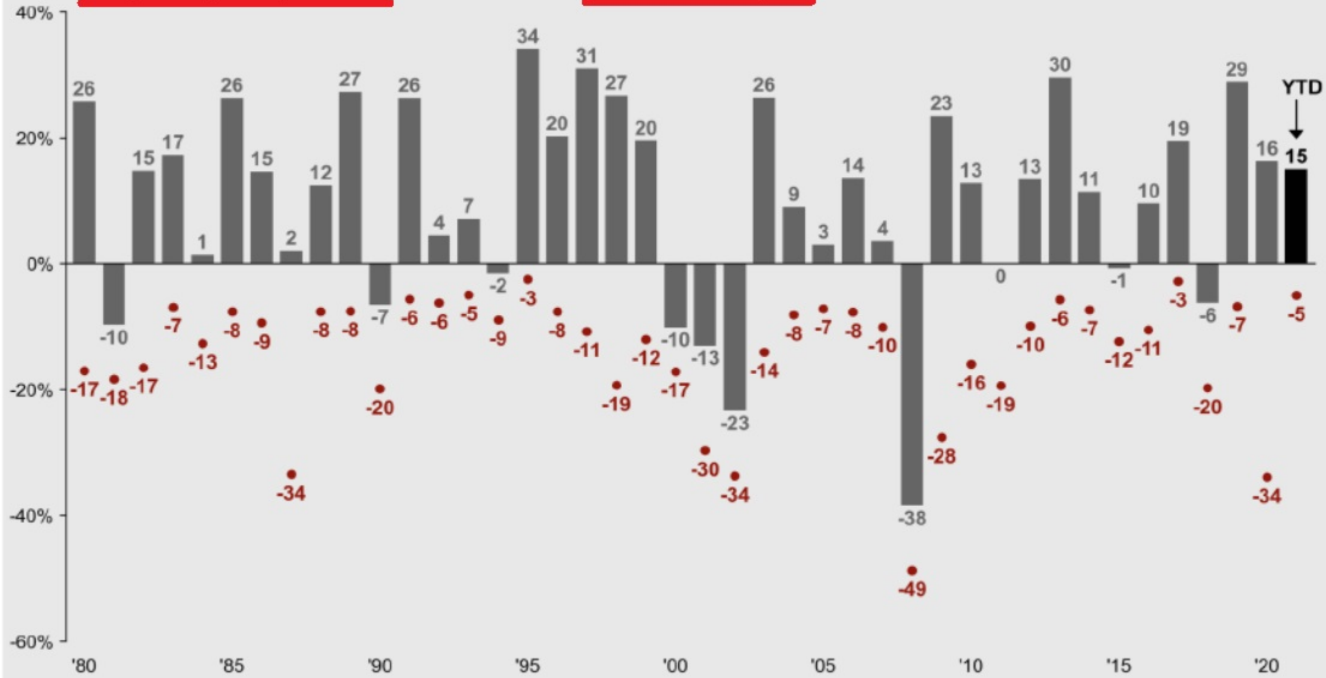
In the autumn of each year, the Investment Committee at Seamount Financial Group, Inc. drafts projections for the following year. These are our thoughts at this time:

- Strong U.S. and, in most cases, global economies will bode well for businesses large and small next year. We expect the U.S. Gross Domestic Product (GDP) to grow by 5.5% in 2022, with consumer spending increasing by 4.7% as both waning COVID-19 infections and massive federal spending bills keep the domestic economy humming.
- Our nation's unemployment rate should continue its steady decline and fall below 4.0% before 2023.
- Of the 207 companies in the S&P 500 that issued earnings guidance (after June 30, 2021) for the upcoming year, 74% raised their expectations, 20% left their earning outlooks unchanged, and only 7% lowered their full-year forecasts. We expect full-year corporate earnings for 2021 to display a robust 20% plus increase over 2020 and expect earnings to accelerate another 13% in 2022.
- Inflation, during 2022, will run hot and finish the year at 3.0%, after a projected 5.5% rise this year. The primary drivers of this inflation spike are:
    - Economies worldwide displaying solid signs of robust growth
    - Global energy supply constraints
    - Tight labor markets, resulting in moderate pay hikes of 3.5% next year
    - Strong consumer spending
    - Production constraints, resulting in continual supply-chain limitations
    - Transportation limitations
- As the Federal Reserve reduces the amount of bonds purchased each month in unison with prolonged, stubborn inflation, the cost of borrowing will most likely inch up as the 10-year Treasury yield climbs to beyond 2% by the first quarter of 2022. As the 10-year Treasury yield moves, so do interest rates on 30-year fixed mortgages. We expect these rates to reach 3.8% during 2022. This could slow the nation's housing market and, hopefully, allow prices to normalize as supply and demand edge back toward equilibrium.

We believe positive economic momentum will accelerate as the pandemic subsides and that further stock market downsides should be limited and contained. It appears that none of the risks currently worrying the market are disruptive enough to tip the U.S. or global economies into recessions. Instead, the fundamental underpinnings of the global expansion remain in place and will ultimately reward patient investors through periodic bouts of market volatility.

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 31 of 41 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2020, over which time period the average annual return was 9.0%.
Guide to the Markets – U.S. Data are as of September 30, 2021.

J.P.Morgan
Asset Management

Final Words

Global governments locked down the production side of economies and threw complicated supply chains into chaos. Simultaneously they provided spending "rocket fuel" by printing and borrowing enormous amounts of money. These actions created massive demand with supplies running lean, creating huge shortages of materials, goods, and services. We are coming upon another predicament as demand gets even hotter during the most significant spending seasons of the year — the Thanksgiving and Christmas holidays. Meanwhile, as cargo ships and their containers continue to back up along U.S. ports, we must stay diligent as the supply side of the economic equation catches up. Stubborn inflation, higher bond yields, higher borrowing costs, and more short-term volatility in stock markets could appear on the horizon, confirming that the laws of economics cannot be modified or repealed without consequences!

We remain confident that our asset allocation strategies continue to stand the test of time. As always, please reach out to us with questions or concerns. It is an honor and privilege to be your trusted advisors and work diligently on your behalf.

PHONE · 800.752.8766 | FAX · 719.471.1972 | SEAMOUNTFINANCIAL.COM

90 SOUTH CASCADE AVENUE
SUITE 1140
COLORADO SPRINGS, CO 80903

14851 NORTH SCOTTSDALE ROAD
SUITE 205
SCOTTSDALE, AZ 85254

Sources: The Wall Street Journal, Reuters News Service, J.P. Morgan Guide to the Markets, Goldman Sachs September Investment Letter, David C. Jennett's Investment Letter, Financial Research Publishing, Inc., Money Forecast Letter, and The Kiplinger Letter.

PHONE · 800.752.8766 | FAX · 719.471.1972 | SEAMOUNTFINANCIAL.COM

90 SOUTH CASCADE AVENUE
SUITE 1140
COLORADO SPRINGS, CO 80903

14851 NORTH SCOTTSDALE ROAD
SUITE 205
SCOTTSDALE, AZ 85254