At Passage Wealth it is important to us that you are well informed about what's happening in the markets. Here are a few of the key topics of conversation that we feel deserve the most attention this month. If you have any questions or would like to continue the conversation, let us know, and we appreciate the opportunity.

Inflation in July was back in-line with expectations following June's surprises. We're still seeing substantial inflation versus a year ago, but that is to be expected given the economic data between now and then. Interestingly, used cars (which made up a whopping 50% of June's increase) were basically flat through July. This has helped slow down core prices, which increased at a 0.3% monthly rate compared to June's 0.9%[1]. Pent-up vacation demand caused lodging prices to rise 6.0%, slightly lower than June's 7.0% increase, and caused shelter, including lodging and rent, to contribute roughly half of the core price increase[2]. Overall, the inflation picture is still concerning, but getting slightly better.

Retail sales disappointed in July, falling 1.1%[3] compared to the 0.3% decline expected by economists surveyed by Bloomberg. This was due to a combination of lower government stimulus and ongoing issues related to global supply chains that have prevented retailers from stocking inventory. Due to the Delta variant, we expect supply chains will continue to be a problem for at least the next few months. In addition, the Delta variant has already begun to impact travel bookings and restaurant revenues.

On the positive side, the jobs report beat estimates again, with the US economy adding 943K[4] jobs in July. That's WAY ahead of the expected 870K and adds to June's headline-grabbing 938K (which was revised up). The new jobs pushed the unemployment rate down by half a point to 5.4%, but we still have roughly 5 million fewer jobs than pre-COVID. We expect to see good jobs numbers for the next few months as schools get back in session and enhanced unemployment benefits expire in September.

The $550 billion infrastructure plan, boosting spending on bridges, roads, and rail passed the Senate earlier this month and was sent to the House. In the House, its prospects are a bit muddier as the Speaker said it will only get through the House in coordination with the $3.5 trillion budget resolution, which includes provisions on climate change, the "family safety net," and tax increases. As you might

[1] Source: US Bureau of Labor Statistics, https://www.bls.gov/news.release/cpi.nr0.htm
[2] Source: US Bureau of Labor Statistics, https://www.bls.gov/news.release/cpi.nr0.htm
[3] Source: USD Census Bureau, retrieved from Bloomberg
[4] Source: Us Bureau of Labor Statistics

expect, the linking of one bill with another has caused a rift between the House Democrat's moderate and progressive wings. We expect the infrastructure bill to pass in the near future. However, the $3.5 trillion budget may require a bit more time to build a complete consensus within the Democratic party.

China's continued crackdown on technology firms has ruffled capital markets with over $1 trillion of market value being wiped from the books across over 50 regulatory actions[5]. The actions have reversed a seemingly hands-off approach to the tech sector that set the stage for some of the fastest growing and biggest names in technology over the past 20 years. The global ramifications of these moves by China are unclear, but other firms have swooped in to grab market share that has been left behind… for now.

The bottom line: We continue to expect some surprises in the data as there are a few clouds in the economic picture, such as delta and inflation. However, this has not spooked markets in any meaningful way, and we continue to see proactive communication from the Fed, which has helped the market hit fresh highs over the last month.

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[5] Source: "Xi Jingping's assault on tech will change China's trajectory." *The Economist.*