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"U.S. Stock Market Ends the Second Quarter at Record New Highs"

June marked the fifth consecutive month of positive gains in the stock market and the S&P 500 Index closed out a strong first half of the year with a 15.3% return. Widespread vaccinations are allowing the economy to start reopening and consumers to resume their pre-pandemic spending habits, especially as we head into the summer season. However, inflation concerns remain in the spotlight while the Federal Reserve remains committed to maintain interest rates unchanged until full employment is reached.

As the number of COVID cases continues to trend down, Americans are starting to feel more comfortable returning to their typical spending habits. According to Federated Investors, 72% of Americans have vacation plans this summer compared to 52% in 2019 and only 35% last summer. The percentage of those planning to travel domestically has also increased compared to previous years. The choice of keeping travel plans domestic is a reminder of the potential threat of variant Coronavirus strains overseas. Consumer Confidence hit the second highest reading since the pandemic with a reading of 127.3 in June, up from 120 in May. The IHS Markit Manufacturing PMI increased to 62.6 from 61.2 in May, beating expectations of 61.5. The increase indicates significant improvement in the health of the U.S. manufacturing sector which represents 11.9% of the U.S. economy. A reading above 50 indicates expansion in the sector. Manufacturing activity has picked up due to increased demand in new orders as the economy reopens but there have been significant constraints on production capacity due to supply chain disruptions.

Market Return Indexes	June 2021	YTD 2021
Dow Jones Industrial Average	0.02%	13.8%
S&P 500	2.3%	15.3%
NASDAQ (price change)	5.5%	12.5%
MSCI Eur. Australasia Far East (EAFE)	-1.1%	8.8%
MSCI Emerging Markets	0.2%	7.5%
Bloomberg Barclays High Yield	1.3%	3.6%
Bloomberg Barclays Aggregate Bond	0.7%	-1.6%
Yield Data	**June 2021**	**May 2021**
U.S. 10-Year Treasury Yield	1.45%	1.63%

Data on labor markets has been mixed as the number of people filing for unemployment benefits has come down but a shortage of people willing to work is slowing employment growth. Initial jobless claims fell 7,000 to 411,000 during the week ending June 19th compared to the previous week's level. Many sectors that struggled during the pandemic are reopening but the strong labor demand is met with limited supply, leading to higher wages. The increase in wages has not yet translated into problems for businesses as productivity remains high but this could change and have an impact on profit margins later down the road. Also, the initial claims data could become volatile over the next few weeks as the enhanced unemployment benefits are expected to start ending in several states.

Recent inflation measures have been higher than expected. Much of the increase in CPI readings is due to base effects since prices dropped significantly a year ago when the pandemic hit. The May Headline CPI number came in at 5% on an annualized basis, the highest reading in 13 years while Core CPI (excluding food and energy) was up 3.8% from last year. The recent increase in prices has been skewed towards sectors that were most heavily affected by the pandemic. Specifically, a sharp increase in the prices of used cars contributed to about a third of the overall rise in consumer prices. Additionally, lumber prices increased significantly last year as the pandemic surge in buying new homes was met with a shortage in supply. After peaking in early May, lumber prices fell more than 40% in June, due to increased supply. The Federal Reserve maintained a patient outlook on rates but indicated it could respond more quickly if inflation is persistent. This implies that the first rate hike could come sooner than their original projections about the first hike taking place in late 2023 or early 2024. In addition, the markets are looking for signs when the Fed could begin curtailing its bond buying program of treasury and mortgage bonds which has helped keep longer-term rates lower. The Fed maintains its primary goal is to achieve full employment in the economy. Unemployment figures are projected to fall below 5% by the end of 2021.

Declining COVID-19 cases and widespread vaccinations have helped boost economic activity but there are still many factors that the pandemic brought that can continue to present challenges in the economic recovery. Supply chain pressures have eased but they still pose a challenge. Broad vaccinations are making consumers more comfortable but the threat of variants such as the Delta variant could hamper the progress that we have made. Additionally, labor markets have seen a slower than expected return of workers which means it may take longer than expected to get back to full employment. Inflation worries are likely to persist, and inflation measures will be watched closely by investors and continue to weigh on the stock market.

LEGAL UPDATE | The Importance of Power of Attorney Reviews

A power of attorney (POA) is a formal written grant of authority, governed by state law, from an individual (most often referred to as the principal) to his or her agent, allowing the agent to act on the individual's behalf in financial or other matters. A POA can be a general grant of authority, or it can be limited in scope, such as a POA for the purpose of transferring a vehicle. Plan administrators commonly see general POAs and must decide, for example, if the agent's completion of a loan application or benefit election form is authorized by the POA.

The reason a POA compliance review is so important is that the failure to appropriately determine the validity of a POA leaves plans at risk. For example, a plan might issue a substantial plan loan to a participant under what is assumed to be a valid POA from a son that the administrator knows is named on the participant's designated beneficiary form. The administrator assumes the POA must be valid, because the participant/principal's son is one of the named beneficiaries. The participant then dies, and the primary beneficiary informs the plan administrator that the loan proceeds were actually paid to his brother, a contingent beneficiary, under an invalid POA. The plan sponsor is now obligated to ensure the restoration of the misdirected funds (plus interest) to the participant's account for distribution to the rightful beneficiary.

When it comes to determining the validity and effectiveness of a POA, it's worth getting it right. Assessing a POA can be a labor-intensive task under arcane law, or it can be remarkably simple. Fortunately, the legislative trend favors more streamlined administration of POAs submitted to a plan.

Currently, there are 29 states that have enacted the federal Uniform Power of Attorney Act (Act), as compared to just 26 in 2018. One more state and the District of Columbia have introduced the Act. Over time, it is expected that more states will follow the Act, easing the burden of analyzing POAs based on each state's applicable governing law. Plan administrators may be able to adopt a checklist of the Act's requirements for a valid POA. For now, a plan administrator remains faced with various POA forms - even from states that have adopted the Act. Many POAs were executed prior to a state's adoption of the Act, subjecting its review to pre-Act state law.

After determining the effective date of the POA and the governing state law, the plan administrator needs to determine if the requirements for a valid POA have been met. These requirements may include, for example, witnesses and/or notarization. If notarization is required, the state's notary laws must then be analyzed to determine if the notarization is valid. Even where notarization is not required, notarization of a POA should be reviewed for its compliance with state law.

If the POA's form has been determined to be valid, the more difficult determination is often whether the agent's act is authorized by the POA.

At best, the POA authorizes any and all actions with respect to the specific retirement plan and the participant's benefits at issue. However, that is rare. More often, a plan administrator must look at the specific areas of agency. Does the POA intend to encompass any and all acts that the participant could perform when compared to the listed matters? Does it include a reference to private retirement benefits? Importantly, an agent's request to change a beneficiary under a POA or to waive a survivor benefit of a non-participant spouse should be provided for explicitly in the POA.

The assessments of plan administrators to these questions generally fall on a spectrum. One administrator may be comfortable to read between the lines to see that the requested agency is authorized by a POA that encompasses all financial matters, while another plan sponsor's risk tolerance will only approve a POA that lists retirement matters specifically and comprehensively.

Plan sponsors and administrators are the plan's fiduciaries who are ultimately responsible for determining the validity of a POA. We suggest creating POA policies and procedures for reviewing the POAs submitted to your plan, as well as a process for determining the state law applicable to POAs and notarization. Ensuring that your plan's POAs are handled appropriately protects your plan and can avoid time-consuming and expensive events over time.

If you have any questions regarding your plan's determinations of the validity of powers of attorney under state law, please contact your USI Consulting Group representative.

F*or previous market commentaries please click here.*

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment

The higher the yield, the better the economic outlook.

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