Nationwide Economics

Capital Markets

# Nationwide Market Insights SM

Our perspective on the market and economic forces influencing investment planning and retirement

4th Quarter 2021

*Data as of September 30, 2021*

## *Nationwide Market Insights*℠

One of the challenges of planning for a more secure financial future comes in understanding the market and economic forces that affect investment performance and influence investment decisions. With *Nationwide Market Insights*, we present insights and informative commentary about the economy and the financial markets from Nationwide's staff of economists. You can share *Nationwide Market Insights* with clients to help answer questions about investment performance and inspire greater confidence in the guidance you provide.

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## Executive Summary

Risk asset prices turned mixed in the third quarter, as inflation concerns continued to percolate and the Federal Reserve hinted strongly that it would soon curtail its quantitative easing program. Long-term Treasury yields ticked higher, along with commodity prices and the dollar.

Still, the relatively unchanged performance in the markets over the last three months in the face of a pickup in price pressures, an impending reduction in monetary accommodation, and
a resurgence in new Covid cases reflects the considerable economic tailwinds. The labor market is improving rapidly and the household balance sheet is by many metrics as healthy as it has been in decades. There are emerging headwinds to be sure, but the upside risks still dominate and should keep this young expansion intact for some time to come.

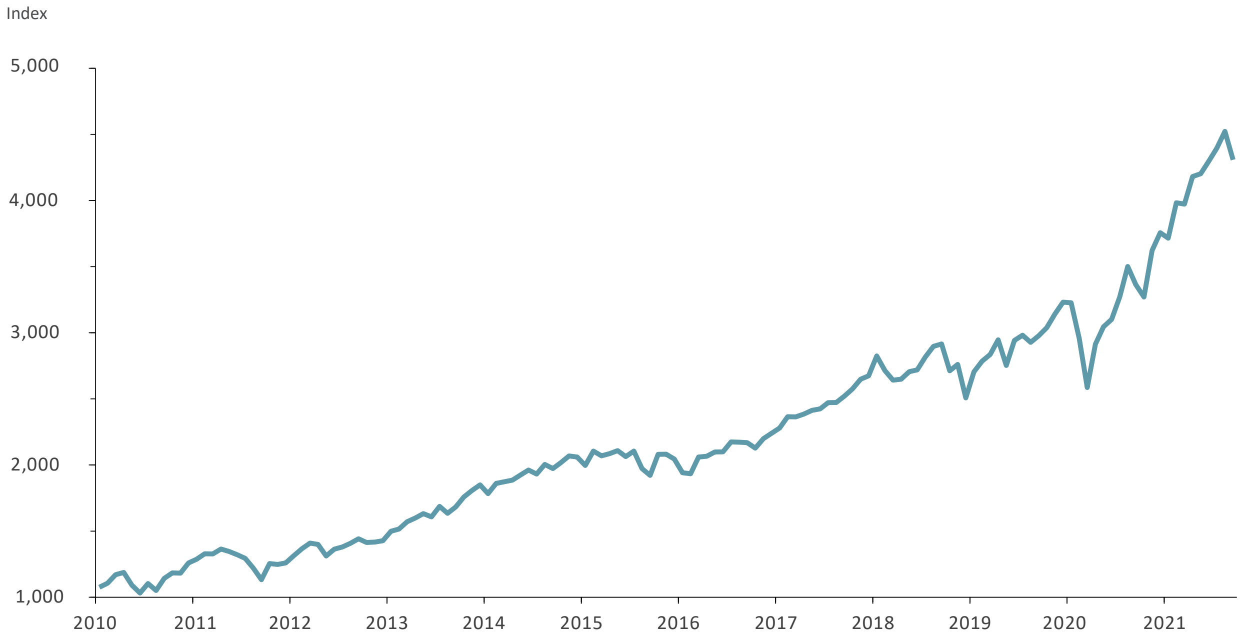
# Financial Markets

## Highlights

| | |
|---|---|
| 7 | Equities have bounced back rapidly from dips in this cycle. |
| 9 | Sustained expansions mean sizable stock market returns. |
| 19 | Fixed income returns soften as the Fed winds down easing. |

# Another rise in U.S. stocks

S&P 500® Index



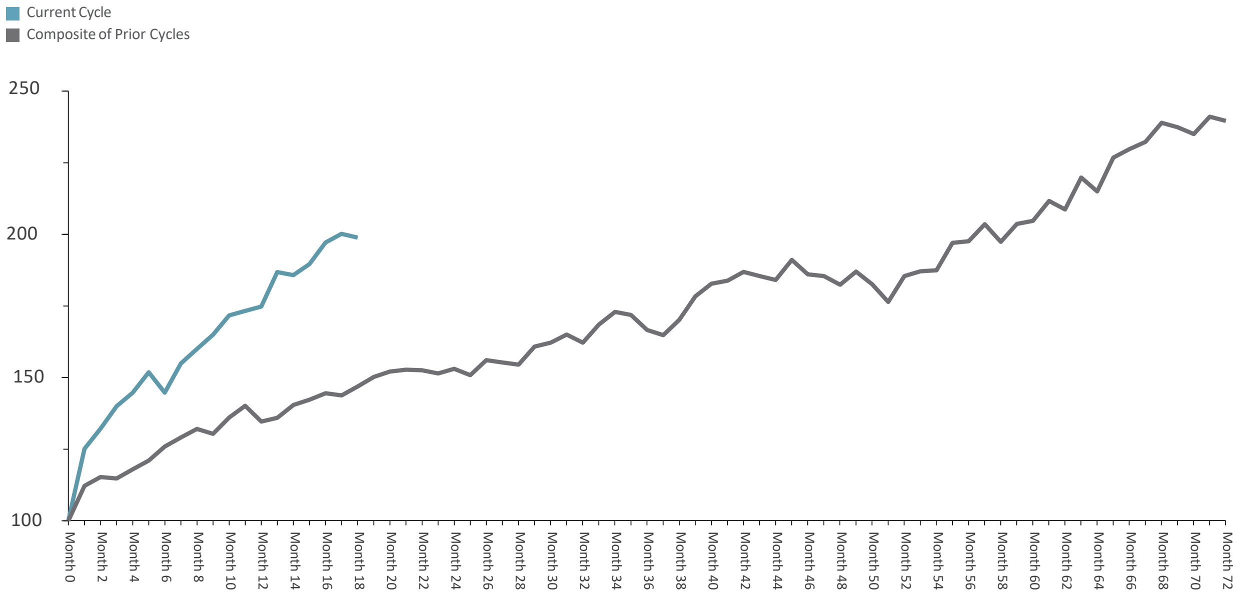

The S&P 500® managed to eke out a gain in a choppy quarter, as surging earnings offset concerns over Fed policy and the worsening pandemic.

Source: Standard and Poor's

# A robust start to the bull market

Trend in the S&P 500® Index across bull markets

Index (start of bull market = 100)



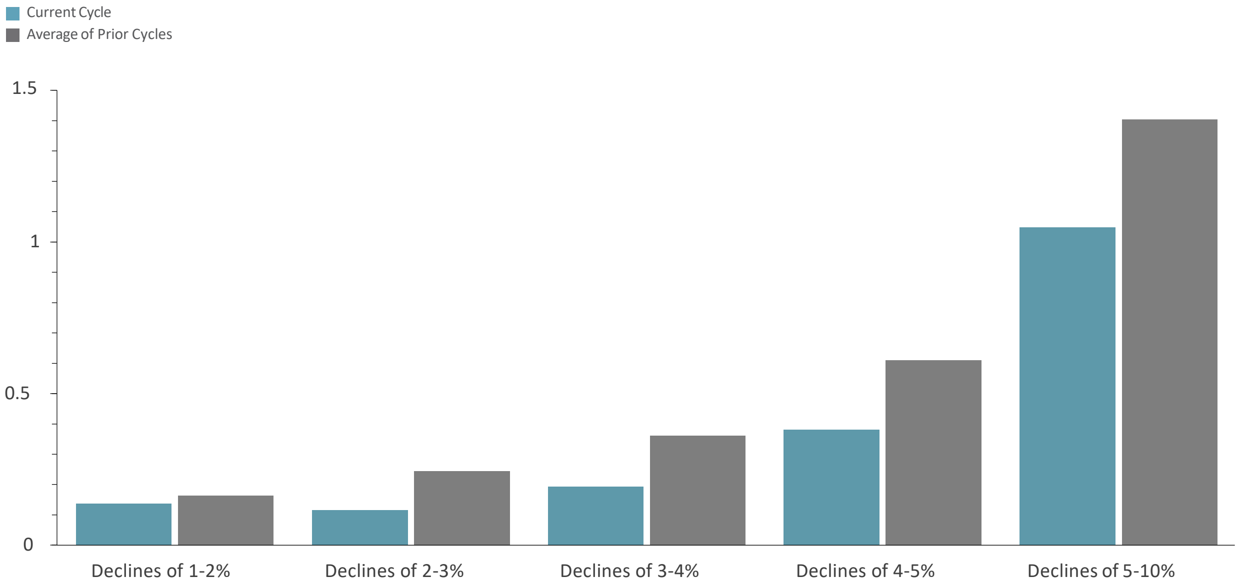

The stock market has gotten out of the gate quickly in this bull market, with the S&P having already doubled from its 2020 trough. Still, there is likely plenty of room left to run in this cycle, as the index has averaged an increase of more than 200 percent in bull markets historically.

Source: Standard and Poor's

# Investors are buying the dips

Time to full recovery after declines in the S&P 500®, first 18 months of bull markets

Months



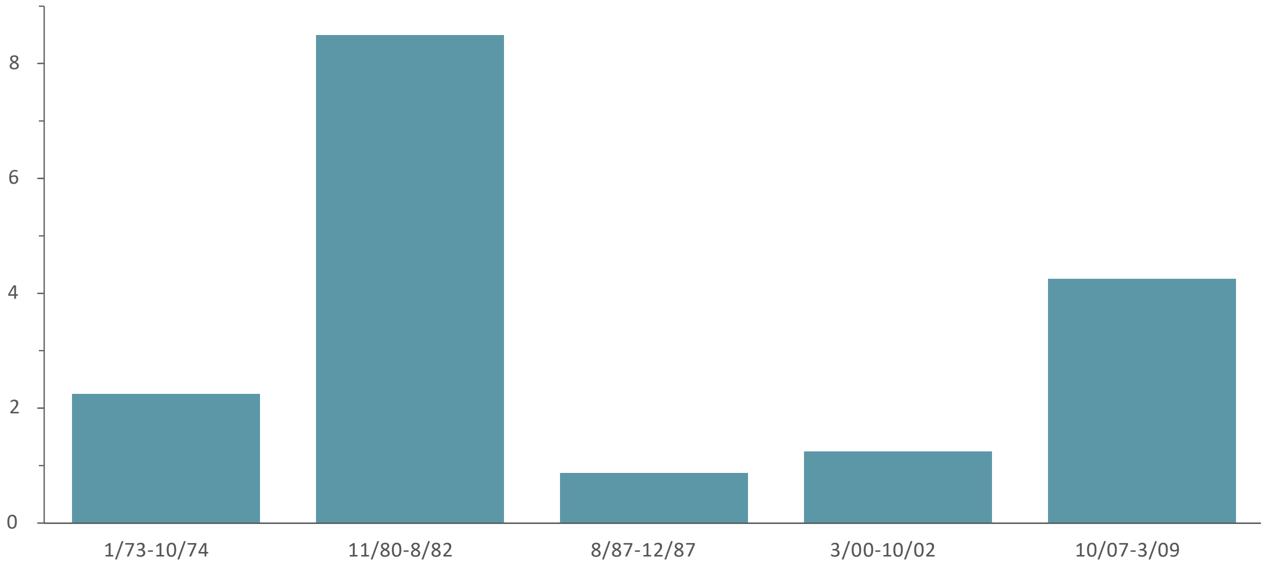

Among the hints that a euphoria has taken hold in the equity market is the rapidity with which declines have been reversed in this cycle. There have actually been more pullbacks in the S&P 500® than is typical by this stage of the bull market, but the recoveries from these drawdowns have been swift.

Source: Standard and Poor's

# Bear markets come only after monetary tightening

Changes in the federal funds target prior to S&P 500® bear markets

Percent



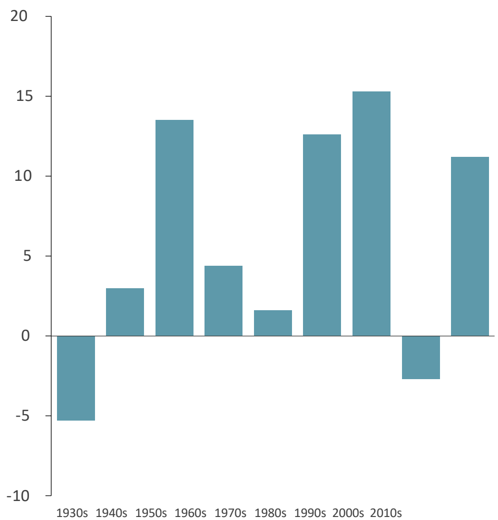

While corrections often come in the early stages of cycles, steeper and more lasting declines do not unfold until monetary policy has been tightened. Over the last five decades, in fact, the S&P has never fallen into a bear market prior to the first Fed rate hike of the cycle.

Source: Federal Reserve Board of Governors

# The business cycle drives the market cycle

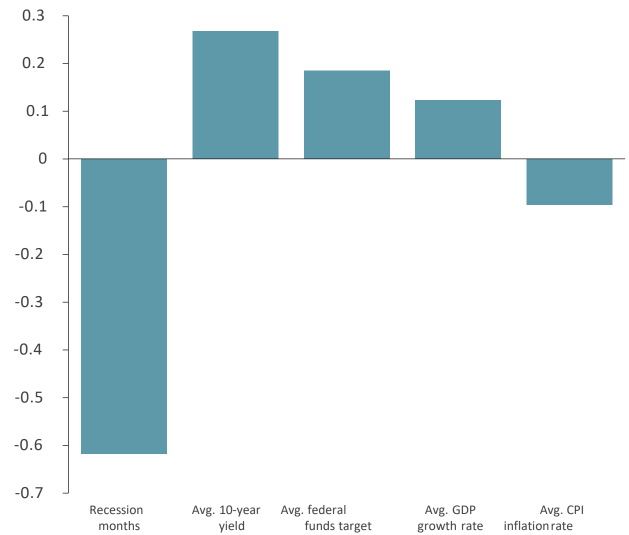
Annualized changes in the S&P 500® by decade

Percent




Correlations with annualized changes in the S&P 500® by decade

Correlation



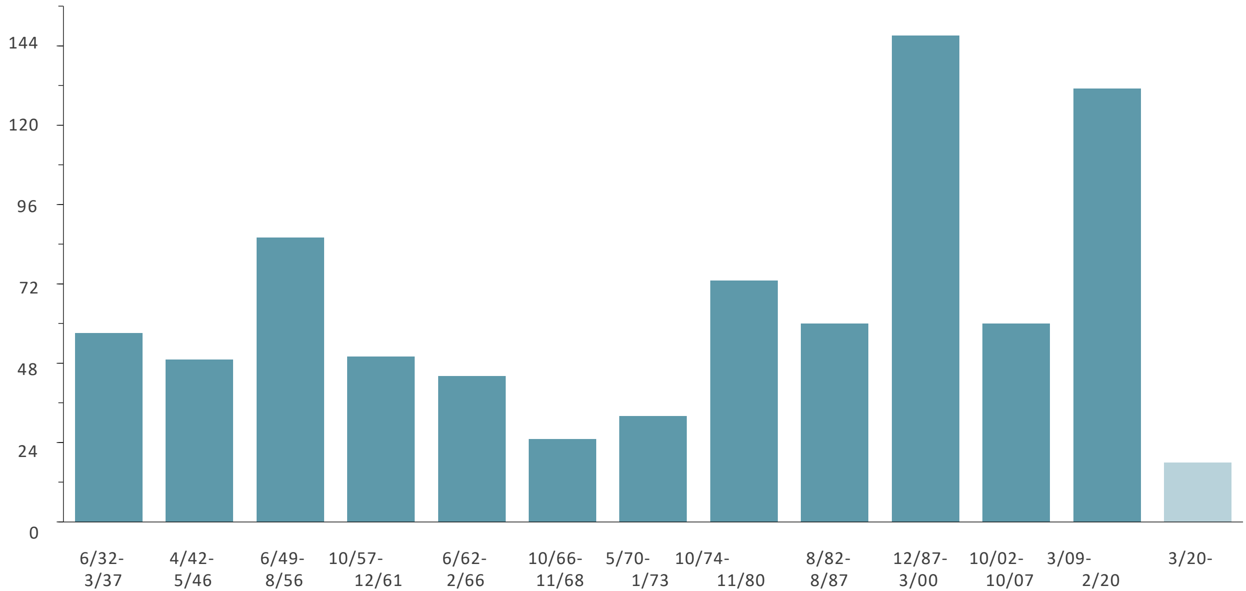

The equity market is coming off of a solid performance in the 2010s, which was, not coincidentally, also the first decade in U.S. history without a recession. The business cycle has long been a primary driver of the market cycle, which bodes well for returns in the years ahead given the scope for another extended expansion.

Sources: Standard & Poor's (left), Bloomberg (right)

# Bull markets are growing longer

Length of bull markets

Months



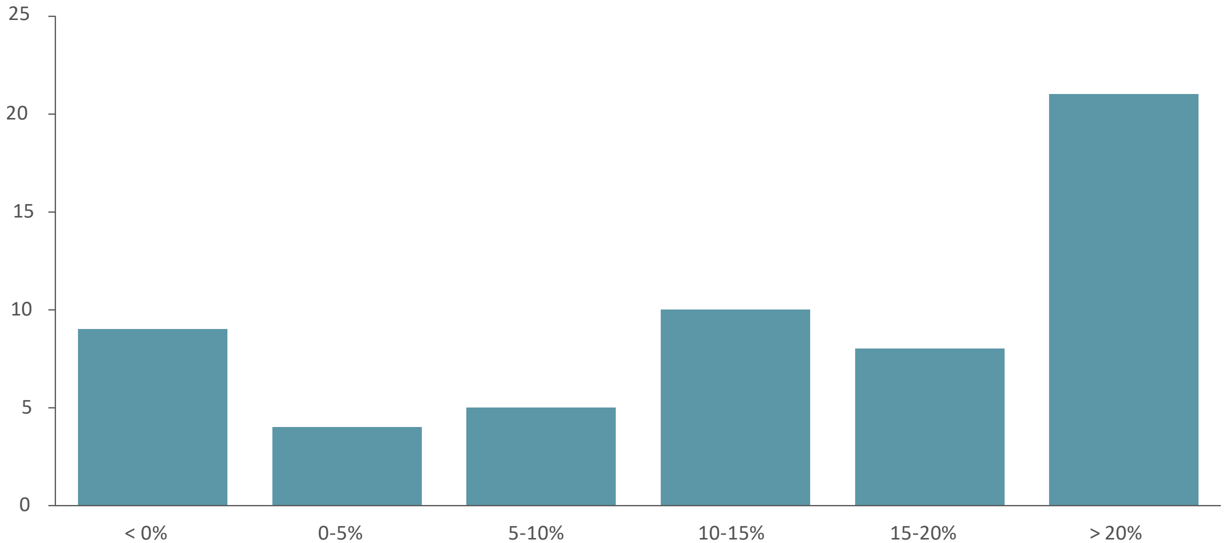

Longer economic expansions have meant longer bull markets. The combination of relatively slow but steady GDP growth, a structural decline in inflation, and more accommodative Federal Reserve policies has helped two of the last three bull markets to be sustained for more than a decade.

Source: Bloomberg

# Returns skew higher in bull markets

Frequency of changes in the S&P 500® during bull markets

Number



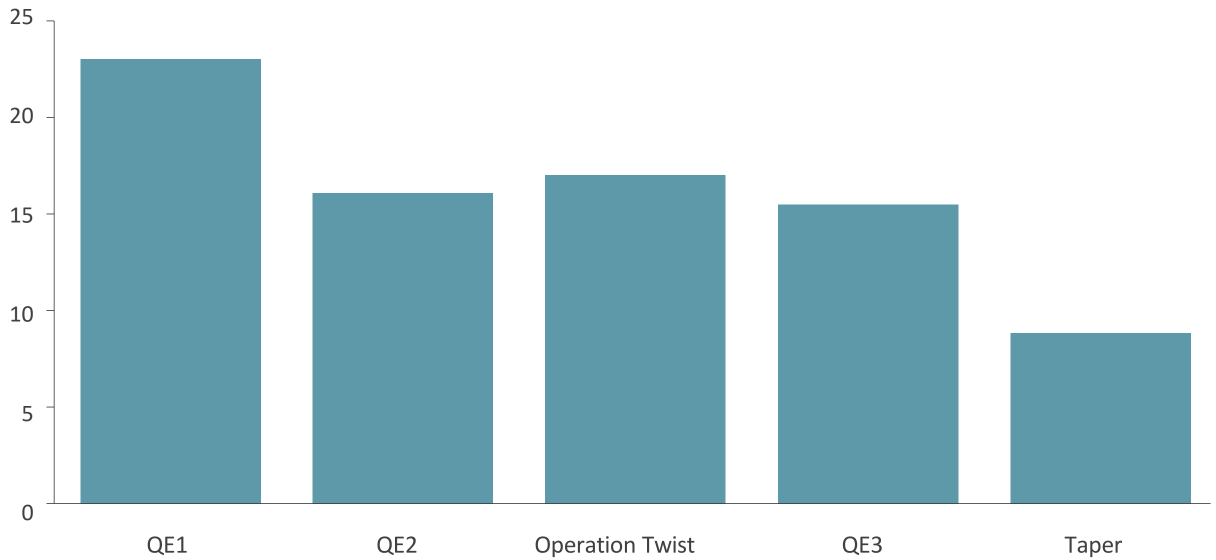

Sizeable returns are commonplace in bull markets. While the S&P 500® has advanced by an average of just under 8.0 percent annually across its history, it has more than doubled that trend during calendar years that have fallen wholly within bull markets. In over a third of these cases, the index has risen by at least 20 percent.

Source: Standard & Poor's

# Stocks weathered the last taper quite well

Annualized changes in the S&P 500® during the Federal Reserve's 2009-14 asset purchase cycle

Percent



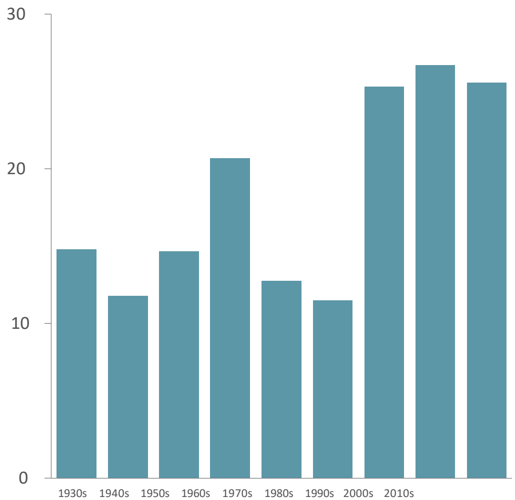

While the Federal Reserve's movements toward reducing its asset purchases have captured a fair share of the market's attention in recent months, it is important to stress that tapering is not tightening and that equities advanced at a healthy clip during the last such episode in 2014.

Source: Standard & Poor's

# Valuations have structurally moved higher

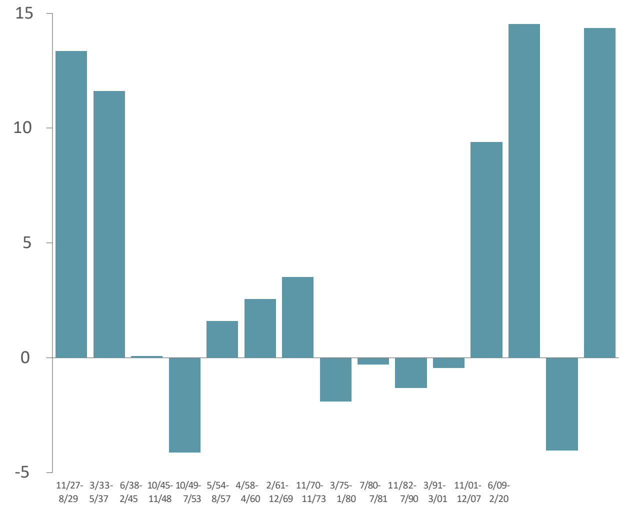
Average cyclically adjusted price/earnings ratio of the S&P 500®
by decade

Percent




Changes in the cyclically adjusted price/earnings ratio of the S&P 500® by
expansion

Change



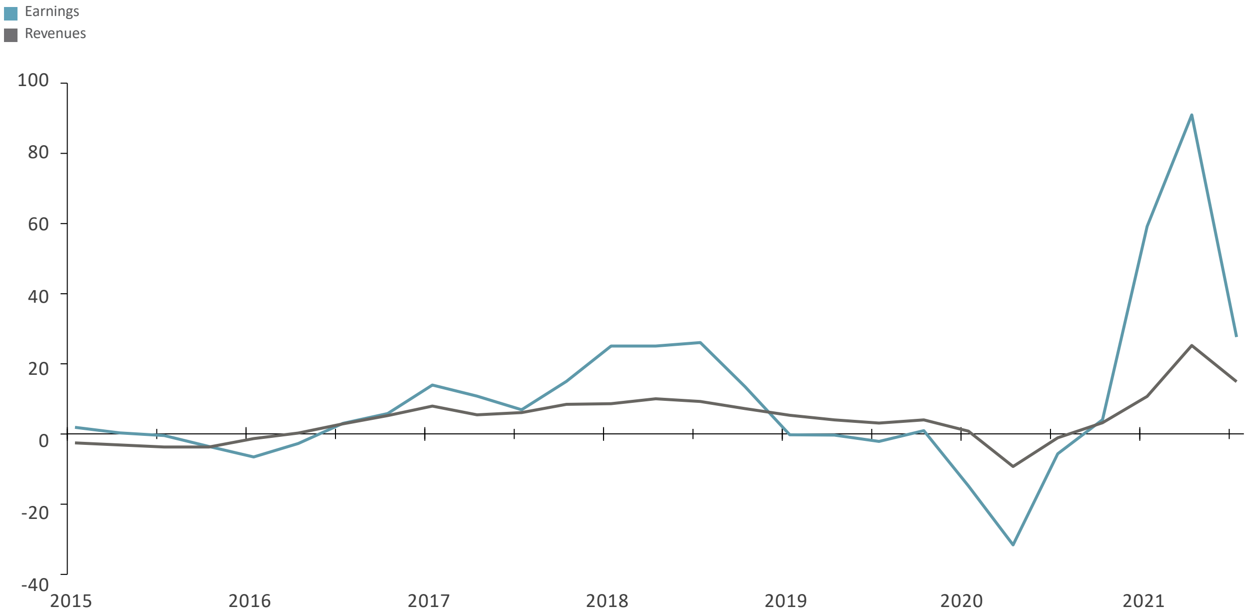

The S&P 500®'s cyclically adjusted price/earnings ratio recently hit a multi-decade high, but this owes in many ways to a longstanding structural trend. Changes in accounting standards and lower interest rates have combined to push price/earnings ratios higher over the last three decades. Moreover, P/E ratios tend to rise across economic expansions even when they begin at relatively high levels.

Sources: Robert Shiller

# Earnings are soaring

Yearly changes in S&P 500® earnings and revenues

Percent




Earnings continue to boom thanks to the rapid economic turnaround.

Source: FactSet

# Energy and financials lead the way

## Yearly changes in the S&P 500® sectors

Percent

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|
| Financials 26% | Discretionary 41% | Utilities 24% | Discretionary 8% | Energy 24% | Technology 37% | Health Care 5% | Technology 48% | Technology 42% | Energy 38% |
| Discretionary 22% | Health Care 39% | Health Care 23% | Health Care 5% | Financials 20% | Materials 21% | Utilities 0% | Telecoms 31% | Discretionary 32% | Financials 27% |
| Health Care 15% | Industrials 38% | Technology 18% | Technology 4% | Telecoms 18% | Discretionary 21% | Discretionary 0% | Financials 29% | Telecoms 22% | Telecoms 21% |
| S&P 500 13% | Financials 33% | Financials 13% | Staples 4% | Industrials 16% | Financials 20% | Technology -2% | S&P 500 29% | Materials 18% | S&P 500 15% |
| Technology 13% | S&P 500 30% | Staples 13% | S&P 500 -1% | Materials 14% | Health Care 20% | S&P 500 -6% | Industrials 27% | S&P 500 16% | Technology 15% |
| Telecoms 12% | Technology 26% | S&P 500 11% | Telecoms -2% | Utilities 12% | S&P 500 19% | Staples -11% | Discretionary 26% | Health Care 11% | Health Care 12% |
| Industrials 12% | Materials 23% | Discretionary 8% | Financials -3% | Technology 12% | Industrials 19% | Financials -15% | Staples 24% | Industrials 9% | Industrials 10% |
| Materials 12% | Staples 23% | Industrials 8% | Industrials -5% | S&P 500 10% | Staples 10% | Industrials -15% | Utilities 22% | Staples 8% | Discretionary 10% |
| Staples 8% | Energy 22% | Materials 5% | Utilities -8% | Discretionary 4% | Utilities 8% | Telecoms -16% | Materials 22% | Utilities -3% | Materials 9% |
| Energy 2% | Utilities 9% | Telecoms -2% | Materials -10% | Staples 3% | Energy -4% | Materials -16% | Health Care 19% | Financials -4% | Staples 3% |
| Utilities -3% | Telecoms 6% | Energy -10% | Energy -24% | Health Care -4% | Telecoms -6% | Energy -20% | Energy 8% | Energy -37% | Utilities 2% |

There have been healthy increases across the board thus far in 2021, led by energy and financials.

Source: Standard and Poor's

# Global stocks slip

MSCI EAFE Index

Index


Developed market stocks moved modestly lower in Q3, ending a five-quarter winning streak.

Source: Bloomberg

# Much of the world continues to trail the U.S.

Yearly changes in benchmark equity indices

Percent (USD)

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|
| Germany 32% | Germany 31% | China 49% | Japan 8% | Brazil 69% | India 36% | Brazil -2% | Russia 45% | Japan 22% | Russia 27% |
| India 22% | US 30% | India 27% | China 5% | Russia 52% | Italy 30% | India -3% | US 29% | China 21% | India 22% |
| France 17% | Japan 28% | US 11% | Italy 1% | Canada 21% | Germany 28% | US -6% | Brazil 27% | US 16% | Canada 16% |
| US 13% | France 23% | Canada -2% | US -1% | US 10% | Brazil 25% | Russia -8% | Italy 26% | Germany 14% | US 15% |
| UK 11% | Italy 22% | Japan -6% | Germany -2% | Japan 4% | France 25% | Japan -10% | Canada 25% | India 13% | France 11% |
| Russia 11% | UK 17% | UK -8% | France -3% | Germany 3% | Japan 23% | France -15% | France 24% | Canada 4% | Italy 9% |
| Italy 10% | Canada 3% | Germany -10% | Russia -4% | France 2% | US 19% | UK -18% | Germany 23% | Italy 4% | UK 8% |
| Japan 10% | India -3% | Italy -12% | India -9% | India -1% | UK 18% | Canada -19% | China 21% | France 1% | Germany 5% |
| Canada 6% | China -4% | France -13% | UK -10% | UK -4% | Canada 14% | Italy -20% | Japan 20% | Russia -10% | China 4% |
| China 4% | Russia -6% | Brazil -13% | Canada -25% | Italy -13% | China 14% | Germany -22% | UK 17% | UK -12% | Japan -1% |
| Brazil -2% | Brazil -27% | Russia -45% | Brazil -42% | China -18% | Russia 0% | China -29% | India 12% | Brazil -20% | Brazil -12% |

It has been a robust year thus far for Russia and India, but the majority of the world's equity markets continue to underperform the U.S.

Source: Bloomberg

# Treasury yields hold steady

Ten-year and two-year U.S. Treasury yields

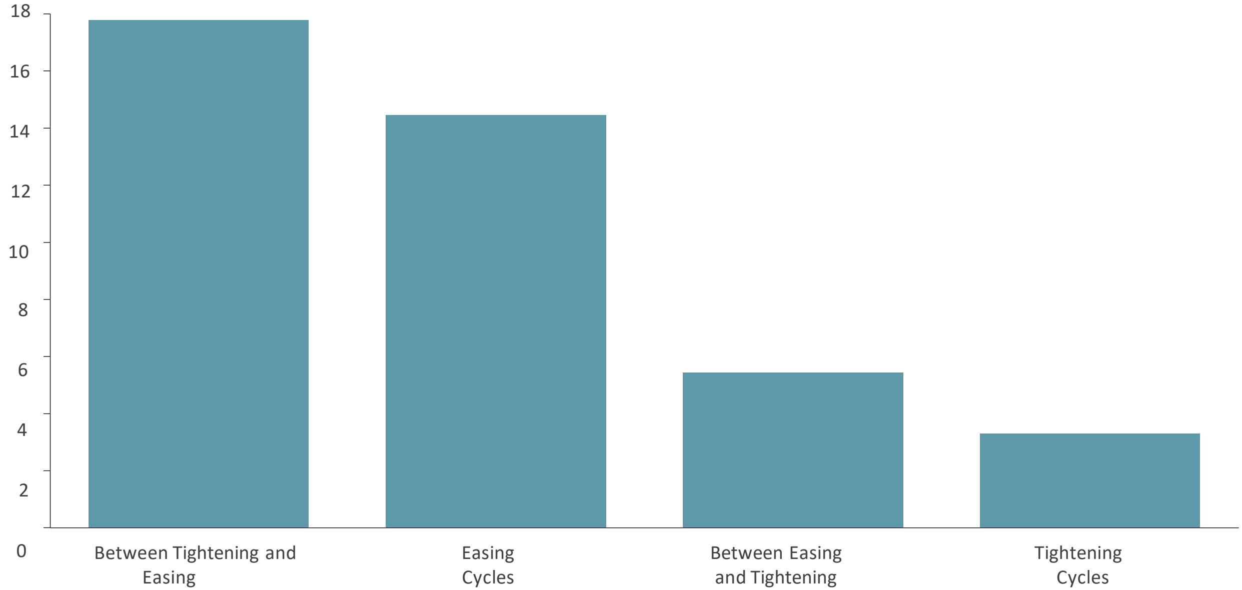

Treasury yields were little changed in the third quarter, as the inflation data moderated and Fed leadership continued to stress that rate hikes were not imminent.

Source: Federal Reserve Board of Governors

# The fixed income market is moving into the softest part of the cycle

Average annualized changes in the Bloomberg US Aggregate Bond Index across the monetary policy cycle

Percent



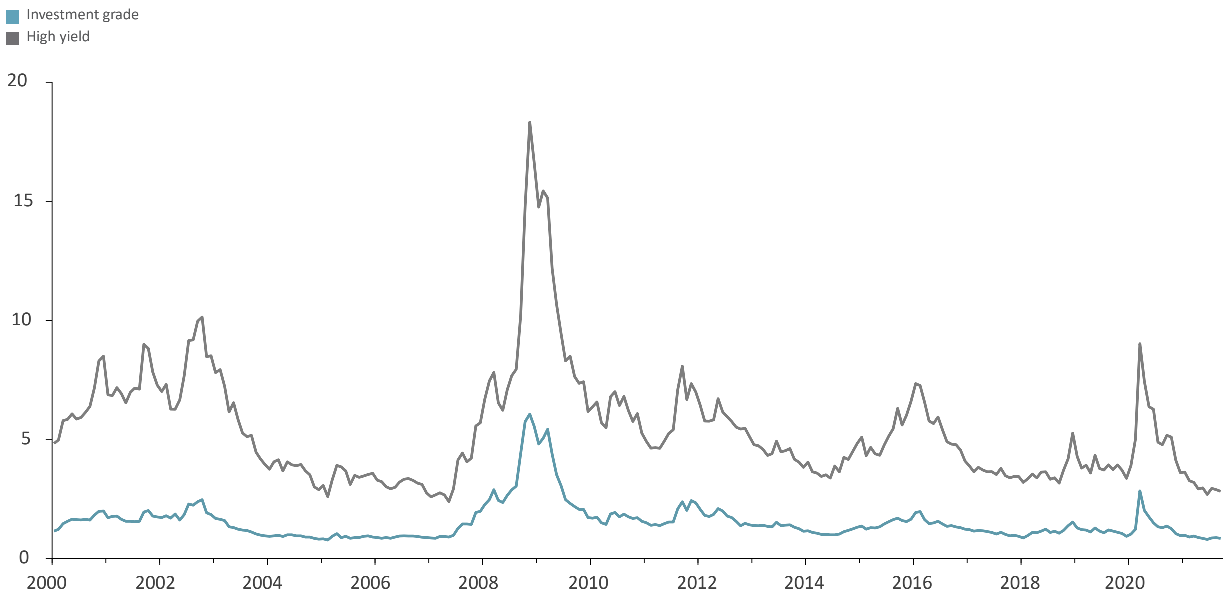

The forthcoming reduction in Federal Reserve asset purchases will mark the beginning of the end of the current easing cycle and usher in what has historically been the weakest period for fixed income returns.

Source: Bloomberg

# Credit spreads widen

Investment-grade and high-yield option adjusted spreads

Percent




Credit spreads widened modestly in the third quarter after reaching decade-plus lows earlier this year.

Source: Bloomberg

# A healthy year for high yield and TIPS

## Yearly changes by asset class

Percent

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|
| High Yield 15.8% | High Yield 7.4% | Treasuries 10.7% | Municipals 3.3% | High Yield 17.1% | High Yield 7.5% | Agencies 1.3% | Corporates 14.5% | TIPS 11.2% | High Yield 4.6% |
| Corporates 9.8% | Agencies -1.4% | Municipals 9.1% | MBS 1.5% | Corporates 6.1% | Corporates 6.4% | Municipals 1.3% | High Yield 14.3% | Treasuries 10.6% | TIPS 3.3% |
| TIPS 7.3% | MBS -1.4% | Corporates 7.5% | Agencies 1.0% | TIPS 4.8% | Municipals 5.4% | MBS 1.0% | Treasuries 8.9% | Corporates 9.9% | Municipals 0.8% |
| Municipals 6.8% | Corporates -1.5% | MBS 6.1% | Treasuries 0.9% | Bloomberg Agg 2.6% | Bloomberg Agg 3.5% | Bloomberg Agg 0.0% | TIPS 8.8% | Bloomberg Agg 7.5% | Agencies -0.8% |
| Bloomberg Agg 4.2% | Bloomberg Agg -2.0% | Bloomberg Agg 6.0% | Bloomberg Agg 0.5% | MBS 1.7% | TIPS 3.3% | Treasuries 0.0% | Bloomberg Agg 8.7% | High Yield 7.1% | MBS -0.8% |
| Treasuries 4.1% | Municipals -2.6% | TIPS 4.4% | Corporates -0.7% | Agencies 1.4% | MBS 2.5% | TIPS -1.5% | Municipals 7.5% | Agencies 5.5% | Corporates -1.2% |
| MBS 2.6% | Treasuries -7.8% | Agencies 3.6% | TIPS -1.7% | Municipals 0.2% | Treasuries 2.1% | High Yield -2.1% | MBS 6.4% | Municipals 5.2% | Bloomberg Agg -1.6% |
| Agencies 2.2% | TIPS -9.3% | High Yield 2.5% | High Yield -4.5% | Treasuries -0.2% | Agencies 2.1% | Corporates -2.5% | Agencies 5.9% | MBS 3.9% | Treasuries -4.3% |

Healthy economic growth and a pickup in inflation have driven high yield and TIPS, respectively, to solid gains in 2021.

Source: Bloomberg

# Commodity prices move higher again

The CRB Commodity Index

Index

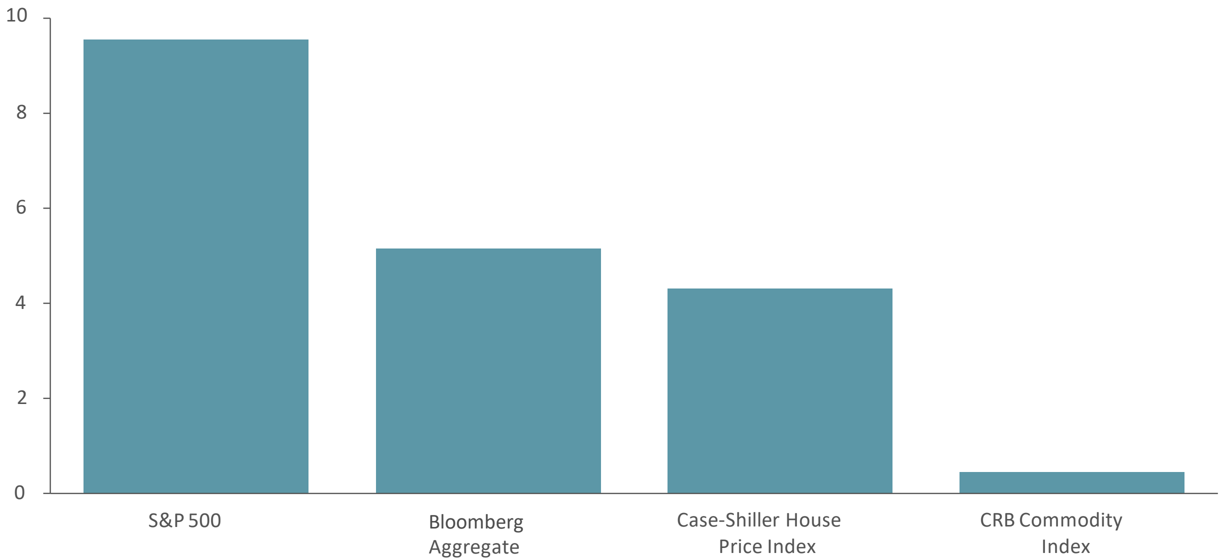

The pace of increase slowed in Q3, but commodity prices still managed to rise for a sixth consecutive quarter.

Source: Commodity Research Bureau

# Commodities are little changed over the long run

Total returns by index, 1995-2020

Percent




Commodity prices tend to move in supercycles due to the lagged impact of demand on supplies (note, for example, the steady rise from 2002 to 2008 and the subsequent decline that ended early last year). Over the long haul, however, the overall index is generally stationary, as the up and down trends offset each other.

Source: Bloomberg

# Energy prices still in an uptrend

## Yearly changes in commodity prices

Percent

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|
| Agriculture 6% | Energy 5% | Livestock 14% | Precious Metals -11% | Energy 18% | Industrials 29% | Livestock -1% | Energy 30% | Precious Metals 23% | Energy 63% |
| Precious Metals 6% | Livestock -4% | Precious Metals -4% | Agriculture -17% | Industrials 18% | Precious Metals 12% | Precious Metals -4% | Precious Metals 18% | Agriculture 15% | Industrials 21% |
| Industrials 1% | Industrials -13% | Industrials -7% | Livestock -18% | Precious Metals 8% | Livestock 8% | Agriculture -8% | Industrials 3% | Industrials 15% | Agriculture 18% |
| Energy -1% | Agriculture -18% | Agriculture -11% | Industrials -25% | Agriculture -4% | Energy 6% | Energy -17% | Agriculture 0% | Livestock -22% | Livestock 5% |
| Livestock -4% | Precious Metals -30% | Energy -44% | Energy -42% | Livestock -7% | Agriculture -12% | Industrials -18% | Livestock -6% | Energy -46% | Precious Metals -9% |

Energy prices continued to climb in the third quarter and are up significantly since the outset of the year.

Source: Goldman Sachs

# The dollar rises

The U.S. dollar index


Hints of less accommodative Fed policy sent the dollar higher in the third quarter.

Source: ICE

# A mixed 2021

## Annual currency changes

Percent

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|
| British Pound 4.4% | Euro 4.0% | Dollar Index 12.8% | Dollar Index 9.3% | Dollar Index 3.6% | Euro 14.1% | Dollar Index 4.4% | Canadian Dollar 4.7% | Euro 8.9% | Dollar Index 4.8% |
| Canadian Dollar 2.9% | British Pound 1.9% | British Pound -6.3% | Japanese Yen -0.4% | Canadian Dollar 2.9% | British Pound 9.5% | Japanese Yen 2.7% | British Pound 3.9% | Japanese Yen 4.9% | Canadian Dollar 0.4% |
| Euro 1.7% | Dollar Index 0.3% | Canadian Dollar -9.4% | British Pound -5.7% | Japanese Yen 2.7% | Canadian Dollar 6.5% | Euro -4.5% | Japanese Yen 1.0% | British Pound 3.1% | British Pound -1.4% |
| Dollar Index -0.5% | Canadian Dollar -7.1% | Euro -13.6% | Euro -11.4% | Euro -3.2% | Japanese Yen 3.7% | British Pound -5.6% | Dollar Index 0.2% | Canadian Dollar 2.0% | Euro -5.2% |
| Japanese Yen -12.8% | Japanese Yen -21.4% | Japanese Yen -13.7% | Canadian Dollar -19.1% | British Pound -19.4% | Dollar Index -9.9% | Canadian Dollar -8.5% | Euro -2.2% | Dollar Index -6.7% | Japanese Yen -7.8% |

The yen stabilized in the third quarter, but is still a laggard year-to-date.

Source: Bloomberg

# U.S. Economy

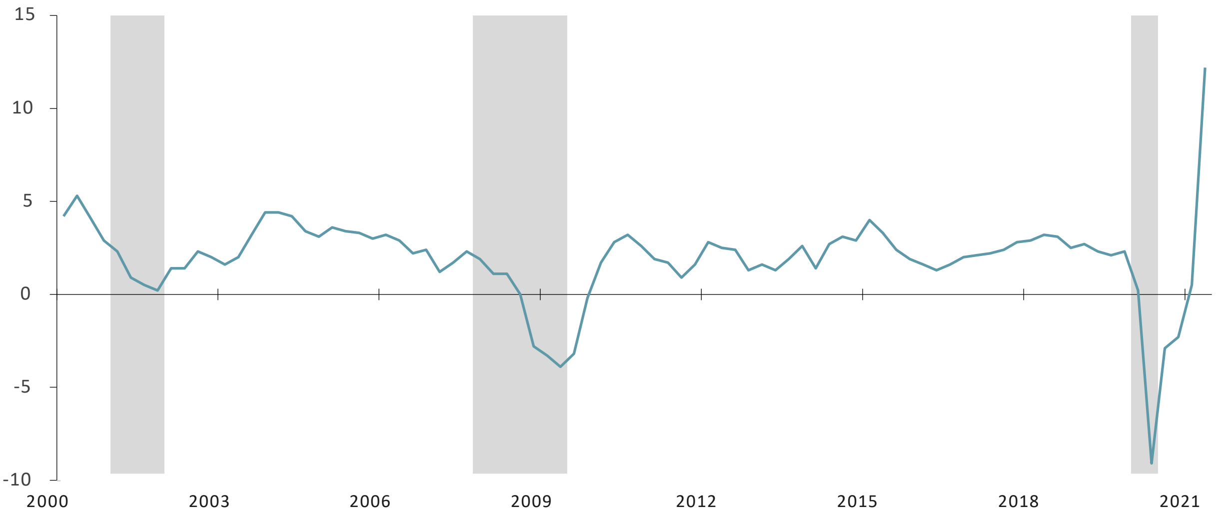
## Highlights

# The economy has recovered rapidly

Yearly changes in real gross domestic product

Percent

Shaded areas depict recessionary periods




Real GDP has continued to advance robustly and has now fully retraced the entirety of the decline from last year's recession

Sources: Bureau of Economic Analysis and National Bureau of Economic Research

# A strong year for consumer spending and business investment

Yearly changes in the real GDP components

Percent

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|
| Investment 4.0% | Investment 9.3% | Imports 6.5% | Imports 3.3% | Consumption 2.3% | Exports 5.9% | Investment 5.2% | Government 3.2% | Investment 2.4% | Consumption 5.7% |
| Exports 2.9% | Exports 5.2% | Investment 5.3% | Consumption 2.6% | Imports 2.2% | Imports 5.1% | Imports 3.4% | Consumption 2.3% | Government 1.2% | Imports 3.9% |
| Consumption 1.5% | Imports 2.9% | Consumption 3.5% | Investment 2.3% | Investment 1.8% | Investment 4.2% | Consumption 2.6% | Investment 0.8% | Imports 0.3% | Exports 0.9% |
| Imports 0.5% | Consumption 1.9% | Exports 2.4% | Government 2.2% | Government 1.6% | Consumption 2.8% | Government 1.0% | Exports 0.3% | Consumption -2.4% | Government 0.6% |
| Government -2.1% | Government -2.4% | Government 0.3% | Exports -1.5% | Exports 1.3% | Government 0.7% | Exports 0.2% | Imports -2.1% | Exports -10.7% | Investment -1.6% |

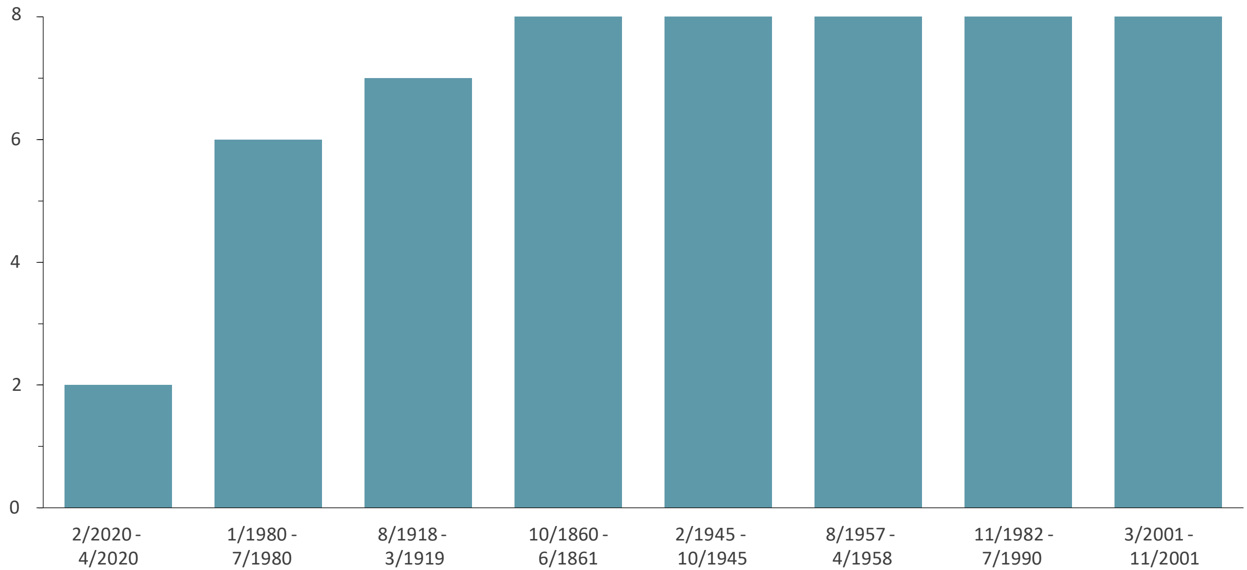
Consumption and capex have been especially strong to this point in 2021.

Source: Bureau of Economic Analysis

# The 2020 recession was the shortest on record

Shortest recessions in U.S. history

Months



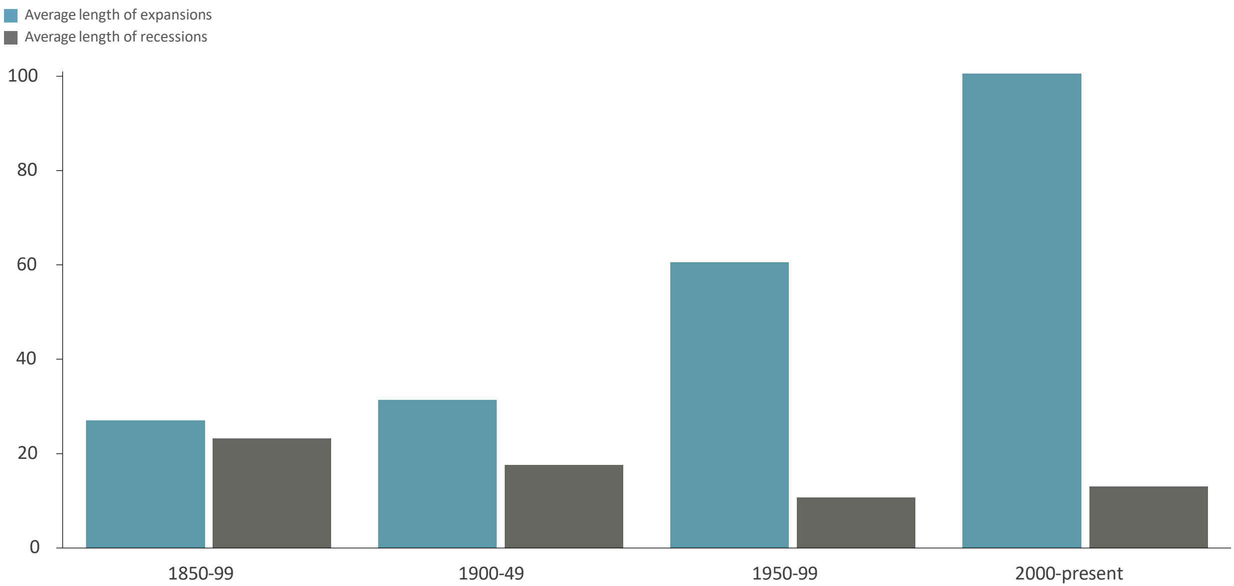

At just two months, the 2020 recession was by far the briefest in U.S. history. There were obvious idiosyncratic factors at play in this case, but the longer-term trend has been toward more truncated contractions. Four of the last six downturns rank among the shortest on record.

Source: National Bureau of Economic Research

# Expansions are growing longer

Average length of expansions and recessions

Months



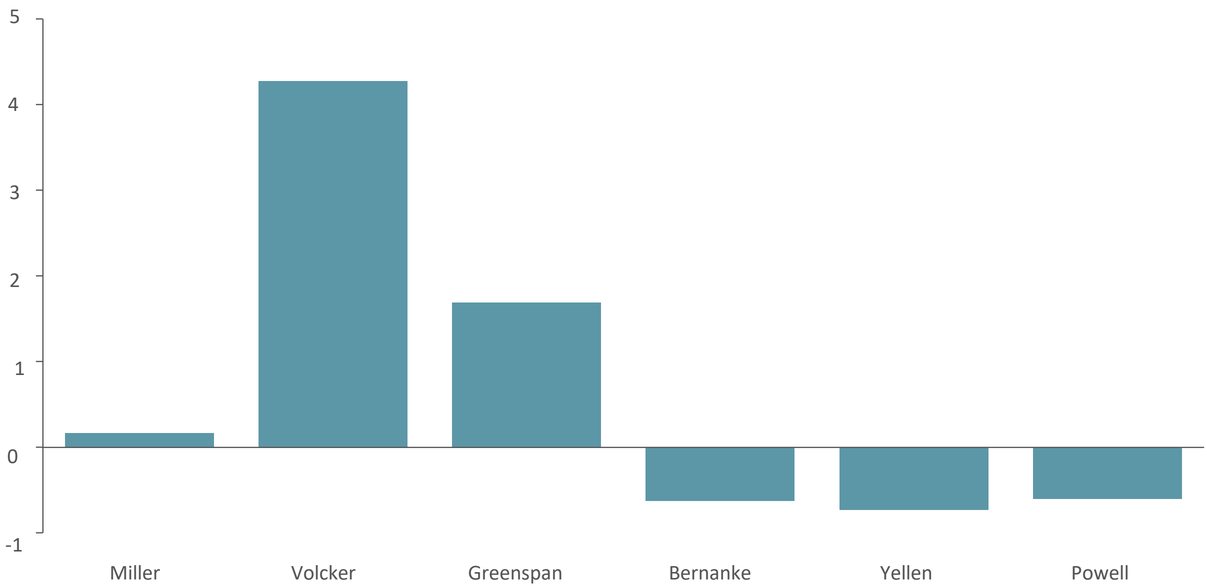

Thanks in large part to more responsive monetary policy, expansions have grown longer on average while recessions have become shorter. With the Fed pledging to maintain an accommodative stance for some time, the nascent expansion that began last year could potentially be sustained into the next decade.

Source: National Bureau of Economic Research

## The Fed has been structurally accommodative

The average real federal funds target by Federal Reserve chair

Percent



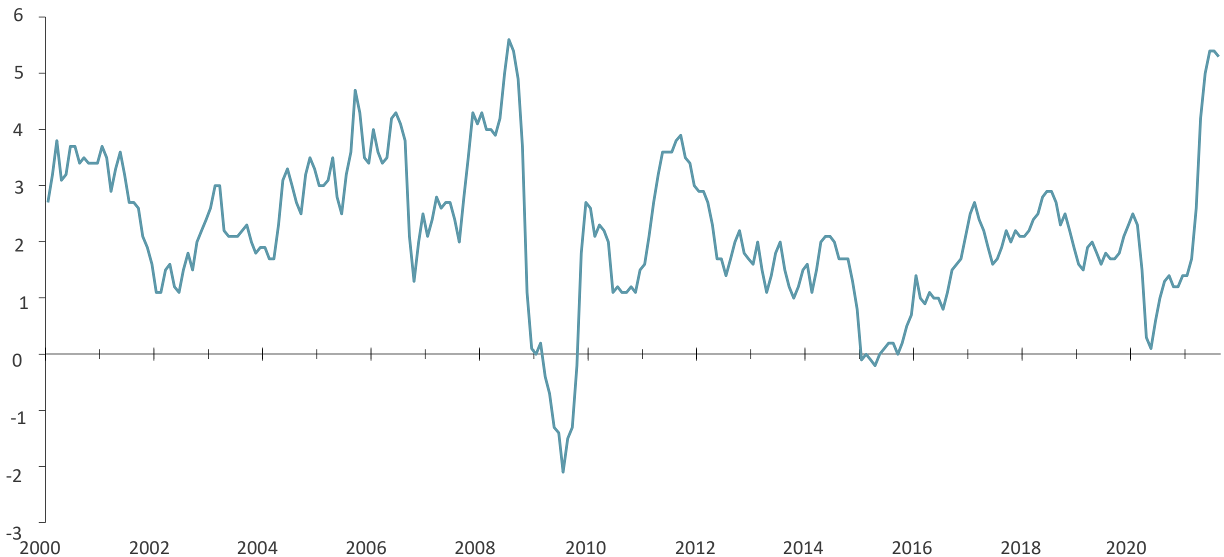

The unprecedented monetary accommodation in this cycle represents the continuation of a long-term trend. While the Fed pursued restrictive policies on balance in the 1970s and 1980s, it has been much more stimulative in the years since. The real federal funds rate, the spread between the central bank's benchmark and the inflation rate, has been negative on average under each of the last three Fed chairs.

Sources: Federal Reserve Board of Governors, Bureau of Labor Statistics

# Inflation is surging

Yearly changes in the consumer price index

Percent



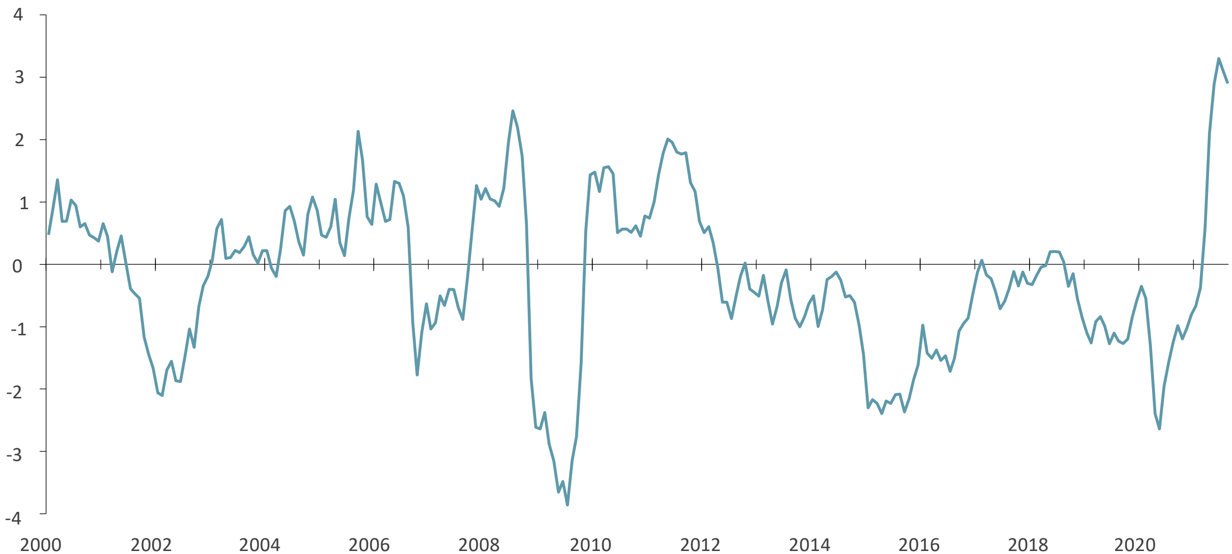

The inflation rate has shot higher this year, rising to its highest level since 2008, as reopenings and supply chain disruptions have lifted prices across several categories.

Source: Bureau of Labor Statistics

# The inflation spike is being driven by outliers

Spread between annual changes in the consumer price index and the median consumer price index

Percent

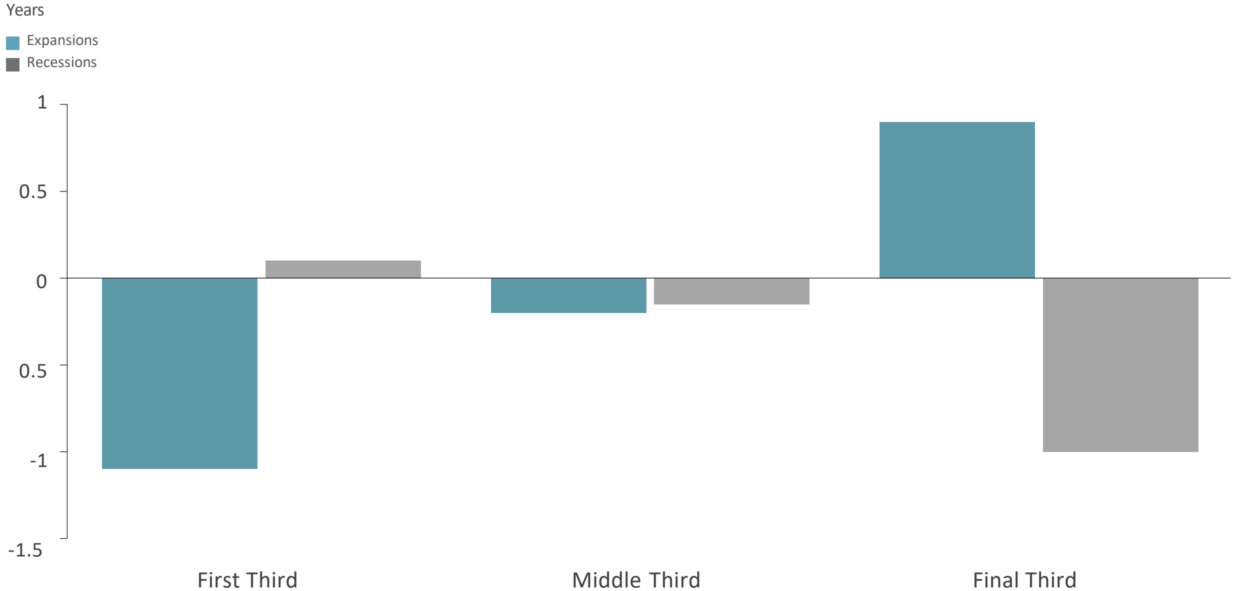



While the headline inflation rate recently hit its highest level in 13 years, the median CPI component is turning higher much more slowly. Pandemic-driven categories such as used cars and airline fares have driven the recent surge and should be expected to calm as the economy continues to normalize.

Sources: Bureau of Labor Statistics, Federal Reserve Bank of Cleveland

# Inflation is a lagging indicator

Median changes in the consumer price index inflation rate across the business cycle



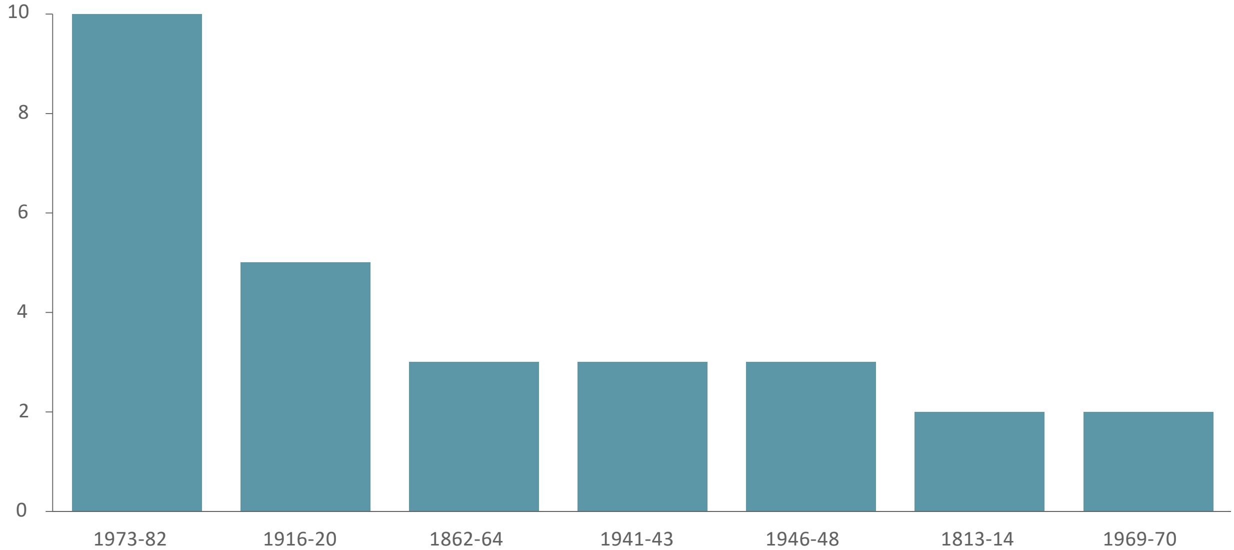

It would be unusual for persistent price pressures to take hold so early in an economic expansion. Inflation is a lagging indicator and tends not to pick up sustainably until the cycle has matured.

Source: Bureau of Labor Statistics

# Sustained high inflation has been rare in U.S. history

Longest streaks of annual consumer price inflation in excess of 5.0 percent

Years




Sustained periods of elevated inflation have been anomalous in U.S. history. According to data compiled by the Minneapolis Fed, in fact, consumer prices have risen by at least 5.0 percent across two or more consecutive years only seven times since 1800, with most of these episodes coinciding with war or its immediate aftermath. Transitory inflation has been much more the norm than the exception.

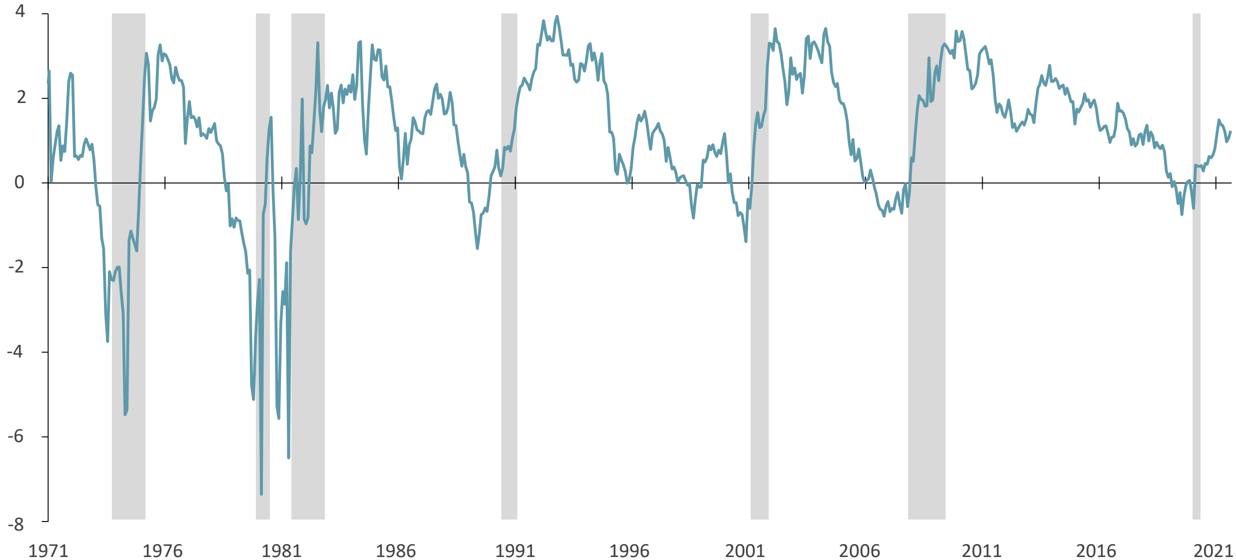
Source: Federal Reserve Bank of Minneapolis

# The yield curve has normalized

Spread between the 10-year U.S. Treasury yield and the federal funds target rate

Percent

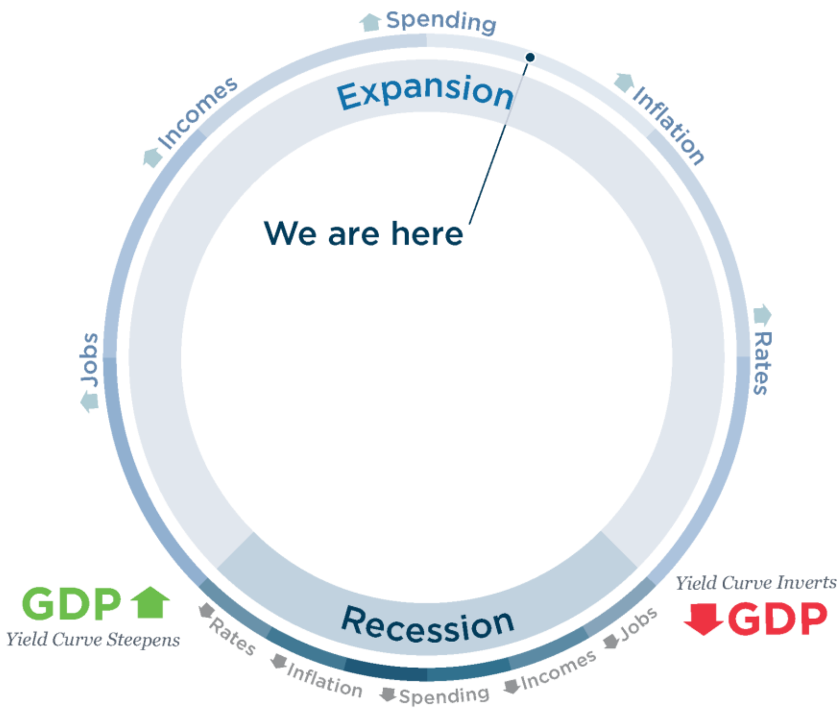
Shaded areas depict recessionary periods




The indicator that best encapsulates the stance of monetary policy relative to the state of the economy is the yield curve, the spread between long- and short-term interest rates. The curve has steepened noticeably since last summer, a sign that the economic outlook is improving and the bar to the next downturn is rising.

Sources: Bloomberg and National Bureau of Economic Research

# Where are we in the business cycle?



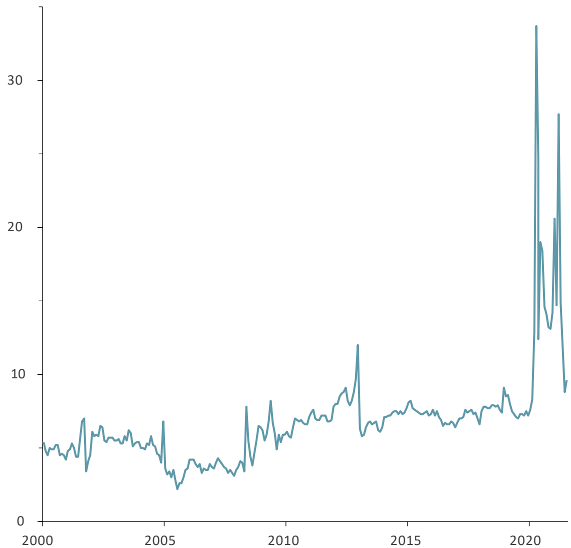

Expansions and recessions are amplified through the labor market before being ended via changes in inflation and interest rates.

With the Fed still a long way from tightening, this cycle has plenty of room left to run.

# Households are unusually well positioned

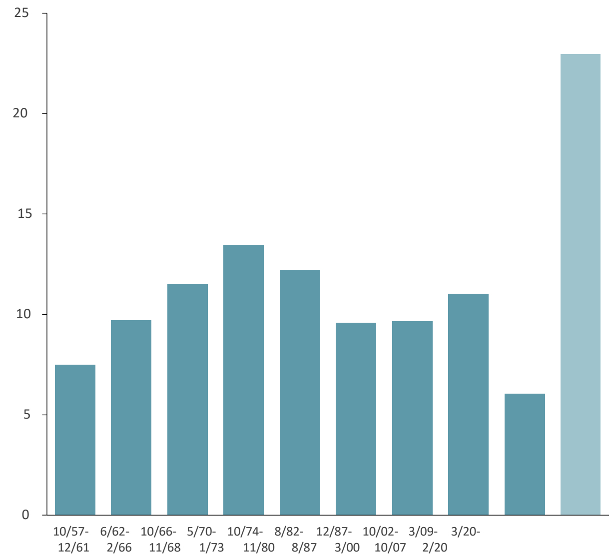
The household saving rate

Percent




Changes in household net worth in the first year of bull markets

Percent




In addition to a quick turnaround in the labor market, households are also benefitting from a much improved balance sheet. Diminished spending opportunities and fiscal stimulus have driven the saving rate higher while robust gains in the financial markets have sent net worth soaring.

Source: Bureau of Economic Analysis (left); Federal Reserve Board of Governors (right)

# Job growth on the rebound

## Yearly changes in employment growth by major groups

Percent

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|
| Hospitality 3.3% | Construction 3.6% | Construction 6.1% | Construction 5.4% | Transportation 3.1% | Construction 4.2% | Transportation 4.8% | Transportation 4.2% | Financial -0.7% | Hospitality 15.9% |
| Services 3.2% | Hospitality 3.4% | Transportation 4.8% | Transportation 3.9% | Hospitality 2.8% | Transportation 3.6% | Construction 4.4% | Education 2.4% | Transportation -1.6% | Information 3.9% |
| Transportation 3.1% | Services 3.1% | Services 3.3% | Hospitality 3.5% | Construction 2.8% | Hospitality 2.2% | Services 2.1% | Hospitality 2.4% | Construction -2.1% | Transportation 3.1% |
| Construction 2.0% | Retail 2.5% | Hospitality 3.0% | Education 3.0% | Education 2.7% | Education 2.0% | Manufacturing 2.1% | Financial 1.9% | Retail -2.9% | Government 2.7% |
| Education 2.0% | Information 1.9% | Education 2.3% | Services 2.8% | Financial 2.2% | Services 2.0% | Education 2.0% | Construction 1.9% | Services -4.0% | Services 2.2% |
| Manufacturing 1.3% | Transportation 1.7% | Manufacturing 1.7% | Financial 1.8% | Information 1.9% | Financial 1.6% | Financial 2.0% | Information 1.4% | Manufacturing -4.5% | Education 1.8% |
| Financial 1.3% | Education 1.2% | Financial 1.6% | Retail 1.2% | Services 1.7% | Manufacturing 1.5% | Hospitality 1.4% | Services 1.3% | Education -4.8% | Manufacturing 1.6% |
| Retail 1.1% | Financial 1.1% | Retail 1.5% | Information 0.9% | Retail 1.2% | Government 0.4% | Information 1.3% | Government 0.9% | Government -5.6% | Retail 1.1% |
| Information -0.1% | Manufacturing 1.0% | Government 0.6% | Government 0.7% | Government 0.9% | Information 0.3% | Government 0.5% | Manufacturing 0.1% | Information -8.2% | Financial 0.8% |
| Government -0.3% | Government -0.3% | Information 0.3% | Manufacturing 0.6% | Manufacturing -0.1% | Retail -0.5% | Retail -0.6% | Retail -0.5% | Hospitality -21.9% | Construction 0.2% |

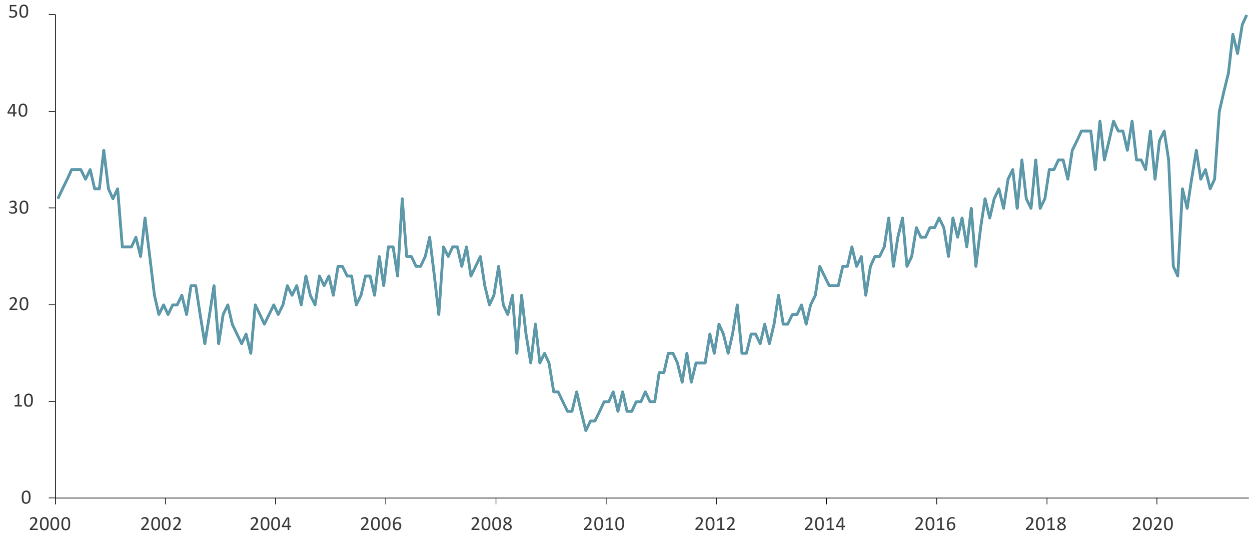
Employment is recovering broadly.

Source: Bureau of Labor Statistics

# The makings of an ultra-tight labor market are already in place

Share of small businesses unable to fill open positions

Percentage




There are hints that the labor market will be extremely tight by the time that this young expansion runs its course. Half of small businesses already indicate that they have are unable to fill open positions, well above the share that is typical at this stage of the cycle. With accommodative Fed policy likely to sustain the expansion for some time to come, an acute shortage of labor is shaping up to be one of the defining characteristics of the years ahead.

Source: National Federation of Independent Business

# Outsized employment increases in many states

## Changes in nonfarm payrolls

**Percent**

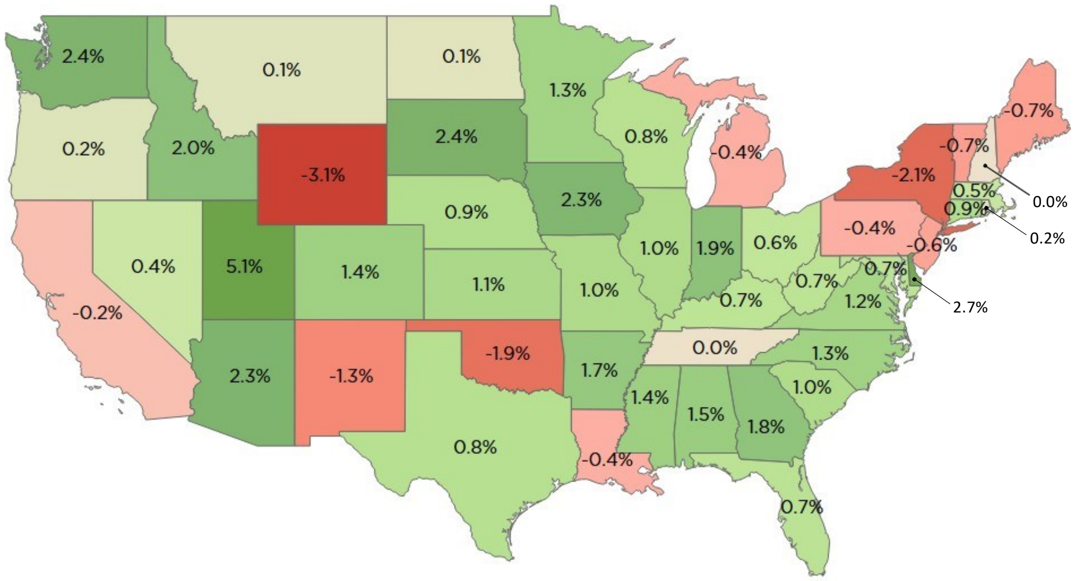
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 YTD |
|---|---|---|---|---|---|---|---|---|---|
| North Dakota 5.9% | North Dakota 3.1% | Nevada 4.1% | Utah 3.8% | Idaho 3.1% | Utah 3.3% | Idaho 3.3% | Arizona 3.0% | Idaho 0.7% | Hawaii 7.6% |
| Utah 3.7% | Utah 3.1% | North Dakota 4.1% | Florida 3.8% | Utah 3.0% | Nevada 3.2% | Nevada 3.2% | Idaho 3.0% | Utah -0.4% | Vermont 5.5% |
| Texas 3.4% | Colorado 3.1% | Colorado 3.9% | Nevada 3.5% | Washington 3.0% | Idaho 3.0% | Arizona 3.0% | Nevada 2.8% | Montana -2.2% | Minnesota 4.6% |
| Colorado 2.8% | Nevada 3.0% | Texas 3.7% | Oregon 3.4% | Florida 2.9% | Arizona 2.6% | Utah 3.0% | Utah 2.4% | South Dakota -2.4% | Nevada 4.6% |
| California 2.7% | Florida 2.8% | Florida 3.5% | Idaho 3.2% | Nevada 2.8% | Colorado 2.5% | Texas 2.6% | Washington 2.2% | Arkansas -2.4% | Rhode Island 4.6% |
| Hawaii 2.4% | California 2.8% | Georgia 3.4% | California 3.2% | Oregon 2.5% | Washington 2.4% | South Carolina 2.5% | Colorado 2.1% | Mississippi -2.7% | Massachusetts 4.4% |
| Oklahoma 2.4% | Oregon 2.8% | Oregon 3.3% | South Carolina 2.8% | Arizona 2.5% | California 2.2% | Florida 2.3% | Florida 2.1% | Nebraska -3.1% | Oregon 4.2% |
| Arizona 2.3% | Texas 2.7% | Utah 3.1% | Virginia 2.8% | Georgia 2.2% | Oregon 2.1% | Colorado 2.2% | Texas 2.1% | Alabama -3.4% | Colorado 4.1% |
| Florida 2.3% | Idaho 2.4% | South Carolina 3.0% | Georgia 2.7% | California 2.2% | Texas 2.0% | Washington 2.1% | North Carolina 2.1% | Tennessee -3.5% | Washington 4.0% |
| Washington 2.1% | Arizona 2.4% | California 2.8% | Washington 2.7% | Colorado 2.1% | Florida 2.0% | Oregon 1.9% | Georgia 1.9% | South Carolina -3.8% | New Mexico 3.9% |

Employment is growing solidly in many states after big declines in early 2020.

Source: Bureau of Labor Statistics

# A broad recovery

Yearly changes in gross state product
Percent




The economy is healing broadly, if unevenly, across the country

Source: Bureau of Economic Analysis

# Contributors

The experience and perspective of Nationwide's staff economists and market analysts assure advisors and clients of a relevant viewpoint that's easy to understand. You may be able to apply this information to specific financial planning situations for your clients.

**Bryan Jordan, CFA**
Deputy Chief Economist

Bryan is a frequent author and knowledgeable source on economic topics, and has been featured in *The Wall Street Journal* and *New York Times*. Bryan holds degrees in Economics and Political Science from Miami University and has earned the Chartered Financial Analyst designation. He currently serves as Chairman of the Ohio Council on Economic Education and is a member of the Ohio Governor's Council of Economic Advisors, the National Association for Business Economics, and the Bloomberg monthly economic forecasting panel.

**Additional contributions by:**
Ben Ayers, Dan Hadden, Scott Murray, and Brian Kirk

# Nationwide Economic and financial market thought leadership

## David Berson, PhD

Senior Vice President, Chief Economist

David holds a doctorate in Economics and a master's degree in Public Policy from the University of Michigan. Prior to Nationwide, David served as Chief Economist & Strategist and Head of Risk Analytics for The PMI Group, Inc., and Vice President and Chief Economist for Fannie Mae. David has also served as Chief Financial Economist at Wharton Econometrics and visiting scholar at the Federal Reserve Bank of Kansas City. His government experience has included roles with the President's Council of Economic Advisors, U.S. Treasury Department and the Office of Special Trade Representative. He is a past President of the National Association for Business Economics and is a Certified Business Economist (CBE).

## Mark Hackett, CFA, CMT

Chief of Investment Research

Nationwide Investment Management Group

Mark is a leader for Nationwide's capital markets analysis and thought leadership initiative, developing content to educate financial advisors and their clients on financial markets and implications for investors. In this role he is responsible for asset class research, market commentary, white papers and topical market pieces and has been featured in numerous financial publications and webinars. Mark brings over 20 years of experience in the
asset management industry, including roles in research for both Nuveen and Vanguard Group and as a Portfolio Manager for Nuveen. He earned his BBA in Finance and Economics at the University of Richmond.

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