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FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

I would like to start this edition of the Market Commentary by quickly introducing myself; my name is Brandon Hethcoat. I joined Fusco Financial in March of this year and I am thrilled to be a part of this great group. I will be working on the Analytics team with the primary responsibilities of portfolio management, investment analysis, performance reporting, and market research. Before joining Fusco Financial, I was with Morgan Stanley, where I worked in client relations and operations for the institutional securities group. I received my Bachelor of Science in Business Administration from West Virginia University in 2014 and Master of Science in Financial Economics from Ohio University in 2018. I am also pursuing my CFA® designation. Outside of work, I enjoy traveling, spending time with friends and family, and (much to the chagrin of my wife) obsessing over my favorite sports teams. I hope to have the opportunity to meet many of you in the future, and look forward to delivering you timely market and economic updates moving forward. Now, onto the commentary.

You don't need to turn on the Olympics to find tight races to the finish line since there was another, albeit much duller, race that took place at the U.S Treasury. August 1st, 2021 was the wire in this sprint, this was when the suspension of the U.S Treasury debt ceiling came to a close. The Bipartisan Budget Act of 2019 shelved the limit on how much the U.S Treasury could borrow for two years to ensure the Treasury could meet all of its outstanding obligations and bolster the overall economy. Now that the suspension has come to a close, the US Treasury will be at its statutory borrowing limit of approximately $28.5 trillion[1] and facing the possibility of not being able to pay its outstanding obligations in full and on time. Although highly unlikely, the latter half of this scenario would send shockwaves through the global economy and financial markets. US Treasury Secretary Janet Yellen announced last week in a letter to Congressional leadership that the Treasury will begin to employ what is referred to as "extraordinary measures" to scale back its borrowing by pausing the issuance of State and Local Government securities. She also noted that additional extraordinary measures may soon follow until Congress votes to raise or further suspended the debt ceiling.

[1] Congressional Budget Office

While all of this sounds dire, it is certainly not unprecedented. This scenario has become somewhat of a bi-annual event over the past decade. Secretary Yellen noted in her letter "It is not out of the ordinary, even though they're called extraordinary measures, for Treasury secretaries to present to Capitol Hill steps that they are going to take, even as this is being litigated on Capitol Hill[2]." While Congress did not act ahead of the August 1st deadline, the Treasury's ability to employ extraordinary measures should keep things firmly afloat for the coming months until lawmakers come to a final decision. This will be one of the handful of items on the docket to keep a close eye on.

With My Best Regards,

Brandon Hethcoat

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[2] U.S. Department Of The Treasury