



# OAKCREST INSIGHT

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## THE CRYPTOCURRENCY CONUNDRUM

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*It's more important than ever to be aware of your risk tolerance.*

Recently, you may have seen a number of major cryptocurrencies fall thanks to a continuing sell-off that began last week. In fact, over \$250 billion was lost in the crypto market alone.<sup>1</sup>

It may be tempting to view this as another volatile moment in the crypto markets, but there's more at work here than a temporary trend towards selling.

Prior to this moment, over 50% of the world's cryptocurrency was mined in China using custom-built computers with a high hashrate. Hashrate, or the rate at which calculations can be performed, is a crucial factor for those who "mine" cryptocurrency. The higher the hashrate, the more calculations that can be completed per second, and the more cryptocurrency that can be mined.<sup>2</sup>

However, these super-powered machines also require a phenomenal amount of power—enough to overload local infrastructure in some cases.<sup>3</sup>

This has led to China directing its electric companies to cut power to major crypto-mining operations across the country. The question is, why now? There may be multiple reasons, but the Chinese government has claimed that it's acting now because of concerns around crypto's volatile price, concerns over electricity use, and cryptocurrency's potential use for money laundering and illegal dealings.<sup>4</sup>

With all of this in mind, it's more important than ever to be aware of your risk tolerance if you're thinking about exploring cryptocurrency. Cryptocurrency is not a currency at all. It's a speculative asset class that is not appropriate for everyone. Only people with a high-risk tolerance should consider cryptocurrency assets.

Like other alternative assets, cryptocurrency can be illiquid at times, and its current values may fluctuate from the purchase price. Cryptocurrency assets can be significantly affected by a variety of forces, including government decisions, economic conditions, and simple supply and demand.

Give us a call today if you have any questions about the above, or just want to chat. We're always here to help!

Sources:

1. CNBC.com, May 19, 2021
2. Theverge.com, June 23, 2021
3. Visualcapitalist.com, 2021
4. Reuters.com, May 21, 2021

## RETURNS (AS OF 6/30/21)

ASSET CLASS	INDEX	4 WEEK	YTD	1 YEAR	3 YEAR
US Large Cap	S&P 500 TR	2.22%	14.41%	38.62%	16.49%
US Large Cap	Dow Jones TR	-0.08%	12.78%	33.66%	12.44%
US Small Cap	Russell 2000 TR	1.83%	17.00%	60.30%	12.03%
International	MSCI EAFE NR USD	2.73%	6.80%	36.85%	3.54%
Taxable Bonds	Barclays US Agg Bond TR	0.70%	-1.60%	-0.33%	5.34%

## INFLATION & THE REAL RATE OF RETURN

*Is your money gaining or losing purchasing power?*

The real rate of return is an important personal finance concept to understand.

It's the rate of return on your investments after inflation. The real rate of return indicates whether you are gaining or losing purchasing power with your money.

So with inflation checking in at a 5% annual rate, does that mean any investment with less than a 5% rate of return is losing purchasing power?<sup>1</sup>

That's where it gets a little complicated.

In theory, any investment with less than a 5% rate of return may lose purchasing power. But the financial markets are giving mixed signals about how long they expect inflation will stay at its current level. Fed Chair Jerome Powell has indicated that the inflation numbers we are seeing won't be long lasting and can be attributed to improving economic conditions.<sup>2</sup>

In the end, the real rate of return is only one factor to consider when building a portfolio. Your time horizon, risk tolerance, and goals are the primary drivers.

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We work with financial professionals who monitor inflation to determine whether it's here to stay or whether it may start to trend lower. But if inflation is starting to worry you, please reach out. We'd welcome the chance to hear your thoughts.

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

Sources:

1. CNBC.com, June 10, 2021
2. CNBC.com, May 3, 2021

## SUMMER TRAVEL IS BACK!

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*Summer travel stats show an industry in recovery.*

One of the most anticipated comebacks of 2021 isn't an athlete, rock star, or movie franchise. It's summer travel, and it appears to be back with a vengeance.

Travel agents are working 14-hour days to meet the needs of eager travelers. People aren't just taking road trips, either; airports are reporting being at 80% of pre-COVID capacity, while the TSA screenings reached two million for the first time since the pandemic. While these reports may be slightly less than pre-COVID, they also reflect an industry working to meet demand in the midst of new safety requirements, many of which place limits on the number of passengers and indoor occupancy at airport gates.<sup>1,2</sup>

If you're planning to take a trip this summer, bear in mind that prices for gas and tickets don't merely reflect recent inflation, but an increased demand. AAA reports that hotel bookings in Las Vegas, Anaheim, and San Diego are seeing a pronounced uptick. Bear that in mind if you're not necessarily looking for population density this year.<sup>3</sup>

These summer travel stats show an industry in recovery and a nation eager to get out of the house. Whatever your plans might be, I hope you enjoy the season and look forward to touching base with you and hearing all about your travels.

Citations:

1. WJHL.com, June 15, 2021
2. Turnto23.com, June 15, 2021
3. KCRA.com, June 15, 2021

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## A SEVEN-YEAR HIGH FOR GAS PRICES

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*Things in America are returning to something like a pre-COVID normal.*

Over Memorial Day weekend, gasoline prices hit the highest for this holiday weekend since 2014.<sup>1</sup>

With the Colonial Pipeline outage in the rear-view mirror and an ever-increasing number of adults vaccinated, formerly cooped-up motorists made the most of what America has to offer. The average price jumped to \$3.<sup>04</sup> per gallon (\$1.<sup>08</sup> higher than last year's lockdown prices) and oil prices have continued to demonstrate high demand in the week following. The Wall Street Journal noted a two-year peak on June 1, indicating prices exceeding 2019's records.<sup>1,2</sup>

These new peaks are a sure sign that things in America are returning to something like a pre-COVID normal. While there's still a way to go, these indicators point to something like the world we once knew.

While we'll all miss the cheaper prices at the gas pump, it stands to reason that as we begin to emerge from this unprecedented period, that there's a summer out there to be enjoyed. You might be taking advantage of the weather, but we're still working for you. Let me know if you have any questions about these developments and how they might affect your financial strategy.

Citations:

1. CNBC.com, May 27, 2021
2. Wall Street Journal, June 1, 2021



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