

## A View from the Bevy – 2Q21

### Market Overview

The beat goes on. Stock markets around the world continued to rally in the second quarter, led by the U.S. once again. Stocks showed great overall resiliency, rising in the face of increasing inflation and the prospects that the U.S. Federal Reserve (Fed) may begin increasing short-term interest rates sooner than previously believed.

The S&P 500 ended the quarter on a five day winning streak, closing at a record high and posting its second-best first-half performance since 1998. The Nasdaq ended the quarter just below its record high, reached the day before. All of the major U.S. stock averages have booked five straight quarters of gains, indicative of the breadth of the stock market rally.

Perhaps the best example of the market’s resiliency was the impressive comeback stocks made after a one-day selloff in mid-June when the Fed signaled that it may begin to increase interest rates in late 2022 instead of in 2023. The quarter-end rally, particularly among technology and leisure and entertainment stocks, suggests that investors are focusing on the economic upturn that is resulting from the opening of the economy and the overall success of the Covid-19 vaccination rollout in the U.S.

Stock Market Indices	2nd Quarter	Year-to-Date
S&P 500	8.55%	15.25 %
S&P 500 (Equal-Weight)	6.90%	19.18%
Dow Jones Industrial Average (DJIA)	5.08%	13.79%
NASDAQ Composite	9.49%	12.54%
Russell 2000	4.29%	17.54%
MSCI World	7.74%	13.05%
MSCI World ex U.S.	5.65%	9.92%
MSCI Emerging Markets	5.05%	7.45%

Source: AJO. Data supplied by FactSet Research Systems.

Energy, financials and industrials led the way during the quarter, evidence of an economy that is still in the early stage of its recovery. Even with the Fed indicating it may end its very accommodative monetary policy sooner than anticipated, Chairman Powell has consistently stated that today’s inflation seems transitory rather than long-term, which helped fuel the quarter-end rally in growth stocks.

10-year Treasury yields ended the quarter just below 1.5% after hitting a peak of 1.77% in March. Cryptocurrencies, led by Bitcoin, sank during the quarter, and commodities weakened at quarter-end.

## **Outlook**

The overall market outlook remains upbeat, but as always there are potential roadblocks that must be monitored. It is also important to keep in mind that markets can experience increased volatility during the summer months. When many traders and other investment professionals are on vacation, the market often trades on low volume which tends to magnify daily price movements.

The economic outlook brightened throughout the second quarter, as a number of states have vaccinated more than 70% of their populations, and every state has reopened to a large extent and ended the majority of lockdown restrictions. First time jobless claims totaled 364,000 for the week ended June 26, a pandemic low and the best results since March 14, 2020, just before the economy was hit the hardest by Covid-19.

The housing market continues to surge throughout the country, and the pent-up demand for restaurants and entertainment bodes well for the businesses hit hardest by the pandemic. Travel has also picked up significantly, with the TSA reporting traveler numbers not seen since before the pandemic hit.

Another pleasant surprise is that many states are in a much better than anticipated fiscal position. One reason has been the unexpected increases in property tax revenues, again due to the housing boom. Additionally, early indications are that sales and business tax revenues are rebounding more quickly than expected. States have been able to take some of these windfalls and help those who are struggling, which should provide additional support to the economic recovery. California, for example, has announced that it will help its citizens repay past due rents caused by the pandemic.

Amidst this enthusiasm, however, we must also be cautious. Rising inflation and shortages of some goods due to the congestion at ports could hamper consumer confidence moving forward. While it was relatively easy to shut down global economies last March, opening them up has proven to be a bigger challenge, and it will take a while to get supply chains back to normal. The consensus, however, is that the current flare-ups in inflation are just transitory and will ease as the opening process continues. A similar mismatch is evident in the job market, where many businesses have had a hard time finding employees despite record job openings. Hiring difficulty could hamper businesses from recovering as quickly as desired. The hope is that with the \$300 supplemental weekly unemployment payments ending in most states, more people will reenter the workforce, alleviating these labor issues.

Finally, while we are all ecstatic that the economy is reopening, we must keep our eye on the Covid-19 Delta variant and the risks it poses, especially to the unvaccinated population. Other areas of the world are experiencing new waves of the pandemic, and while early indications are that current vaccines are effective against the variant, we will continue to monitor developments along this front.

## Of Interest: The Importance of Planning

2020 was certainly a year of unique challenges. As we continue to adapt to our “new normal,” now is the perfect time to review your financial plans. Does your current plan accurately reflect any changes that may have taken place to your financial circumstances over the course of the pandemic?

If you have not used any of our planning services in the past, and if you do not have up-to-date plans in place, now is the perfect time to take advantage of these important planning services. Our services are tailored to the individual needs of each client, and when combined with our portfolio management services, can help you meet your long-term financial goals and improve the quality of you and your family’s lives.

Our planning services include:

- **Advanced Financial Planning:** including trust, estate, gift and tax planning. Our team of professionals will create an enduring legacy that will pass on your values and your assets.
- **Retirement Planning:** developing a plan to achieve financial security once you retire.
- **Social Security / Medicare Planning:** maximizing your benefits by carefully planning now.
- **Long-Term Care Planning:** ensuring that future medical costs are not too burdensome.
- **Education Funding Planning:** 529 plans and other savings strategies to manage the educational costs of children and grandchildren.
- **Risk Management Planning:** helping you plan for an uncertain future with a variety of products for managing risk.

We also have access to a team of outside experts, such as estate planning attorneys, tax accountants, insurance professionals, bankers and mortgage brokers, to help implement the plans and solutions we work with you to create.

We help provide clarity and guidance at all stages of your financial life, including:

- **Growth Phase: Accumulation of Assets.** As you accumulate assets through your early and mid-working years, we help you plan for needed expenditures, such as a new home or college tuition, while also addressing your estate and retirement planning.
- **Transitional Phase: Reorganization of Assets.** We help you navigate transitional phases of your life, both expected and unexpected, such as inheritance, marital changes, career changes, business succession and retirement.

- **Maturity Phase: Distribution of Assets.** We recognize that the distribution of your assets and a worry-free retirement are important, so we will help you leave the desired legacy to your family and charities.

Our planning software allows us to address all of your financial issues, big and small, and together we can make informed decisions about your future. We can review and analyze your complete financial picture, including assets that are not managed by Cygnus. We will project your current financial situation into the future, to determine if you are on the right track, and we will then create a customized plan with actionable steps to either keep you on track or to get you there.

However, the process does not end once we have assisted you in putting a plan in place. We review your financial plans with you on a regular basis, along with your investment portfolios, to ensure they accurately reflect your needs and goals, as time passes.

We do not know what unique challenges we will face for the remainder of 2021 and beyond, but we do know that the best way to deal with unforeseen challenges is to have financial plans in place and then adjust them as your circumstances change.

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