

April 2021

Here are selected year to date return numbers through the end of March.

**Stock Indexes**

	<b>(As of 03/31/21)*</b>
Dow Jones Industrials	7.80%
S&P 500 Index	5.80%
NASDAQ Composite	2.80%

	<b>(As of 03/31/21)*</b>
Russell 1000 Growth Index	0.94%
Russell 1000 Value Index	11.26%

	<b>(As of 03/31/21)*</b>
Russell 2000 Index	12.70%
Russell 2000 Growth Index	4.88%
Russell 2000 Value Index	21.17%

**Bond Index**

	<b>(As of 03/31/21)*</b>
Barclays Cap. Aggregate Bond Composite Index	-3.37%

(Source: The Wall Street Journal & Russell Investments websites)

\*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

## FINANCIAL AND INVESTMENT PLANNING

The first calendar quarter was very good for stocks and very bad for bonds.

	<b>12/31/20 to 03/31/21</b>
S&P 500 (price)	5.77%
MSCI World ex-U.S. (price)	3.40%
BBG Barclays U.S. Aggregate Bond	-3.77%

Source: Raymond James

This period was the worst start to the year for fixed income in a long time. The majority of the positive equity performance occurred in March.

	<b>02/28/21 to 03/31/21</b>
S&P 500 (price)	4.24%
MSCI World ex-U.S. (price)	2.09%

Source: Raymond James

With the end of the quarter, I have a fresh set of data to share with everyone who loves numbers. For the normal people, please bear with me.

During the last ten years, growth stocks have significantly outperformed value stocks. This pattern changed dramatically in the first three months of this year.

	<b>Value</b>	<b>Growth</b>
<b>Large</b>	11.3%	0.9%
<b>Mid</b>	13.1%	-0.6%
<b>Small</b>	21.2%	4.9%

Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management. All calculations are cumulative total return, including dividends reinvested for the stated period. For all time periods, total return is based on Russell style indices with the exception of the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future results.  
*Guide to the Markets – U.S. Data are as of March 31, 2021.*

Compare this year's returns to the annualized ten year numbers.

### 10-year annualized

	Value	Growth
Large	11.0%	16.6%
Mid	11.1%	14.1%
Small	10.1%	13.0%

Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management. All calculations are cumulative total return, including dividends reinvested for the stated period. For all time periods, total return is based on Russell style indices with the exception of the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future results.

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Also noteworthy was the significant outperformance of small cap stocks when compared to their mid and large cap brethren.

As large cap growth dominated last year, a number of market pundits began publicly wondering if there might be a reversal of leadership, or reversion to the mean, coming in the future.

While three months' time is too short to call the large growth stock bull market leadership ended, the first quarter performance does speak to the wisdom of broad equity market diversification.

I recently came across data regarding the concentration of valuation and earnings in the S&P 500. I would naturally think that with five hundred companies in the index, earnings would be broadly distributed. It turns out that is not the case.

The earnings contribution of the top names of the S&P 500 as of March 31<sup>st</sup> was 26.7%. And the weight in the index of those top ten stocks was 27.4%. In my opinion that represents fairly narrow leadership. Source: FactSet, Standard & Poor's

Having said this, according to The Wall Street Journal, more stocks were participating in the bull market as the quarter came to an end.

Here is another set of interesting numbers. At least I think they are interesting.

**Cycles of U.S. and International  
relative out Performance since 1971**

<b>MSCI USA</b>	<b>MSCI EAFE</b>
3.3 years	2.5 years
4.0 years	2.0 years
4.2 years	6.1 years
6.2 years	1.4 years
13.3 current	7.3 years

Source: FactSet, MSCI, J.P. Morgan Asset Management

Note that the 13.3 years period we are currently experiencing is the longest either U.S. or foreign have outperformed. It reminds me of the aforementioned outperformance of U.S. large cap growth stocks. It makes me wonder when a reversion to the mean will occur.

Finally, I regularly receive questions about inflation. It is easy to understand why, given the trillions of dollars of increased fiscal policy stimulus.

Based upon all the various webinars I am attending, the majority of economists, including those on Wall Street and at the Federal Reserve, believe we will experience increasing inflation as our economy opens up. However, the experts expect that once people return to work and the global supply chain heals, inflation will subside.

The so called headline personal consumption deflator, a favorite indicator of the Federal Reserve, was 1.60% in February. The Fed's target is 2%, and we would have to have a three year average going forward of 2.40% to get to the year over year 2% target.

Source: Bureau of Economic Analysis, Federal Reserve, Federal Reserve Bank of St. Louis.

Well, I hope I have sufficiently satiated the data nerds and provided an insomnia cure for everyone else.

Thank you for taking the time to read the newsletter and for listening in to Money Talk.

Warm regards,



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- **Past performance is not indicative of future results.**
- The Dow Jones Industrials is an index of 30 stocks that is considered representative of the overall market.
- The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.
- The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.
- The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- The Russell 2000 Index is an unmanaged index of small cap securities which generally involve greater risks.
- The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equities.
- The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equities.
- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.
- The Barclays Capital U.S. Aggregate Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.
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