

May 2021

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

Stock Indexes

	(As of 04/30/21)*
Dow Jones Industrials	10.70%
S&P 500 Index	11.30%
NASDAQ Composite	8.30%

	(As of 04/30/21)*
Russell 1000 Growth Index	7.81%
Russell 1000 Value Index	15.70%

	(As of 04/30/21)*
Russell 2000 Index	15.07%
Russell 2000 Growth Index	7.16%
Russell 2000 Value Index	23.62%

Bond Index

	(As of 04/30/21)*
Barclays Cap. Aggregate Bond Composite Index	-2.61%

(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

April has historically been a positive month for the U.S. stock market. **Source: FactSet** This year the month was particularly rewarding for investors. Foreign stocks performed well, and bonds, which have been struggling, posted a positive monthly return.

April

S&P 500 Index (price)	5.24%
MSCI World ex-U.S. (price)	2.87%
BBG Barclays U.S. Aggregate	0.79%

Source: Raymond James

One of the most common questions I am hearing from friends, clients and Money Talk listeners is regarding inflation. What is the outlook for inflation? This is certainly an understandable question and concern.

U.S. fiscal policy has injected trillions of dollars into our economy. Deficit spending has grown. And as the economy recovers, people are spending.

U.S. consumers purchased \$234.4 billion of imports in March 2021, the largest monthly total recorded in U.S. history. The low point during the pandemic was \$166.5 billion in May 2020. **Source: Department of Commerce**

As I write this letter the total year to date return for U.S. bonds as measured by the BBG Barclays Aggregate Index is -1.91%. That number includes coupon income.

Perhaps that is an indication of fixed income investors' inflationary concerns.

I continue to attend webinars and read economic commentary. As of now, the overwhelming majority of economists and financial market pundits agree with Federal Reserve Chairman Jerome Powell, when he describes any increase in U.S. inflation will be transitory.

Transitory or not, the Consumer Price Index was up 4.2% on a trailing one year basis through April 30th. The last calendar year that reported inflation of at least that amount was 1990 when inflation advanced 6.1%. **Source: Department of Labor**

We will see.

I will finish with what I believe are some interesting facts about the U.S. financial markets and investor enthusiasm.

- **FROM THE LOW POINT** – In the 289 trading days since falling to a bear market low on 3/23/20, the S&P 500 has gained +90.2% (total return) through Friday 5/14/21. **Source: BTN Research**
- The S&P 500 is a cap-weighted index, i.e., the largest capitalized stocks carry a disproportionate impact on the index's performance calculation. As of the close of trading on Friday 5/14/21, the 5 largest stocks in the index carried the same weighting as the smallest 323 stocks. **Source: S&P**

- The use of margin debt on the New York Stock Exchange (NYSE) increased to \$823 billion in March 2021, an all-time record total. Margin debt was \$479 billion in March 2020 or a year earlier. Source: **Financial Industry Regulatory Authority**
- Long-term Treasuries maturing in at least 10 years fell by 13.5% (total return) in the 1st quarter 2021, the worst quarterly performance for this asset group in 41 years or since the 1st quarter 1980. Source: **Bloomberg Barclays**

As always, thank you for taking the time to ready 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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