

INVESTMENT UPDATE

2021 --- 1st Quarter

PICKING UP STEAM

WE ARE OFF TO A GOOD START FOR 2021. Economic growth is picking up and the stock market is trending higher as a result, but in a choppy fashion. The major U.S. stock indexes gained approximately 5-7% by the end of the first quarter. Your diversified portfolio was likely in the range of 3-6%, depending on your mix of different investment strategies used.

Because the stock market is historically forward looking, U.S. stocks may have already priced in much of the swift economic growth we have seen. The outlook is very positive for companies to have increased profits / earnings in 2021. The expectation for total investment returns, for the whole year, is currently “single digits”.

Nearly every sector added jobs in March and those industries tied closely to the economy’s reopening (such as leisure and hospitality) made substantial gains. Widespread vaccination should allow U.S. growth to surge later in 2021. International growth will depend on regional pandemic trends but should broadly accelerate once vaccines are distributed.

Inflation concerns seem to be on the minds of many people right now because of all the rapid growth expected this year. There is certainly a lot of pent-up demand for goods and services, entertainment and travel, and even for medical and dental visits. Inflation is set to rise a bit around the world in the months ahead as the result of shortages of certain goods due to bottlenecks created by the pandemic. We have all probably noticed increases in price for some of the day-to-day goods we buy. And who hasn’t heard of someone trying to replace a washer or refrigerator and having to wait for delivery?

While we may see some stronger prices throughout the year, we aren’t expecting a return to 1970s-style inflation. The inflation we will see is expected to be the result of **temporary** factors created by the pandemic. The Federal Reserve has said very clearly that they will wait to see inflation at a pre-determined level and at that time will respond to keep it in check. By many measures, inflation is still relatively low.

What investors can do now...

At the risk of sounding like a broken record, investors should always remember the tried-and-true disciplines of diversification and periodic portfolio rebalancing. These are especially important when markets are choppy. This approach got us through the unknowns of last year, as well as many previous events.

This year should be a year of strong and welcomed recovery!

Feel free to call Nan or Ann at 414-431-6491 with your questions.