Stephens Wealth Management GROUP

June 2021

Market Summary

The economic recovery is on very solid ground and stronger than many expected. For the first quarter, our economy grew 6.4% as measured by GDP*. Second quarter growth could very well be in double digits and would put us back to where we were in the fourth quarter of 2019 before the pandemic began. The market returns reflect a strong economic recovery and continued stimulus as the S&P 500 now sits at or near all-time highs. Last year, the number of stocks that had positive returns were dominated by very few. This year, they are much more broadly reflected, especially given the recovery of the energy, hospitality and travel sectors.

Interest rates rose slightly for a period before the Federal Reserve clarified their position and comments from earlier in June. The fear is that rising inflation will lead to rising interest rates. Recent comments from the Federal Reserve Open Market Committee indicate they are expecting future inflation to be in the 3.4% range. The Fed Reserve Chair, Jerome Powell, subsequently reassured that there is no plan to raise rates in the short-term. However, it does appear that discussions are underway as to when inflation would be high enough or sustainable enough to warrant increases in rates down the road. In addition to accommodating Fed policy and previous stimulus programs, a bi-partisan group of senators has recommended an infrastructure package that is smaller than the

**Source: JPMorgan Chase*

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FINANCIAL MARKET UPDATE*

Year-to-date change as of 06/30/21

- *S&P 500 Index…………………15.25%*
- *Bloomberg Commodity Index……..21.15%*
- *MSCI EAFE $$ (International)……...8.83%*
- *Barclay US Aggregate Bond………..-1.60%*

original proposal and appears to have the administration's backing. An additional bill for more nontraditional infrastructure programs like childcare, paid leave, etc., funded by income tax increases, is likely to happen later in the year. The current infrastructure package does not include tax increases.

Inflation, here to stay or transitory?

The strong recovery, supply chain challenges, and labor force shortages are showing up in the inflation numbers. High demand and restricted supply is the definition of inflation. The current year-over-year inflation rate for May is 3.9%, which is higher than the current Fed target. Their view, as commented on earlier, is that current levels of inflation are temporary and a result of unusual global supply shortage issues, and for now, they are willing to tolerate higher rates of inflation until supply chain and labor shortages ease. If they are behind the curve, we can expect the Fed to raise rates earlier than expected. You might remember what high inflation was like in the 1970s – interest rates were in the mid to high teens. It was addressed by raising interest rates high enough to break the back of inflation (painful at the time). This was the beginning of the subsequent boom in the 1980s. President Reagan's tax cuts helped that as well. I remember my first home mortgage was about 12%! We do not have inflation anywhere near those levels now and the Federal Reserve has been very consistent in their message about their role.

Typical investments that can participate in higher inflation rates, in addition to stocks, are commodities and real estate. Bonds will likely have very low returns or losses (in some cases) until rates rise to more normal levels. However, U.S. bond markets have had a very muted response to inflation so far. Accordingly, it will be important to keep maturities short and use cash and other investments as hedges in the meantime for good diversification.

One positive on the inflation front is that the cost-of-living adjustment (COLA) on Social Security benefits is expected to rise in alignment. Last year, the COLA on benefits was 1.3%. As of now, benefits are expected to rise in 2022 by 6.1%**, which would be the highest increase since 1983.

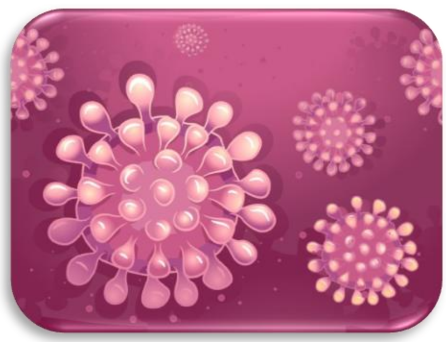
***Source: An advocacy group – The Senior Citizens League*

The COLA is based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, and there's an additional four months of data that will still be incorporated before the next increase is determined. The official Social Security COLA for next year will be announced in October.

The markets may react to tax policy proposals if they are presented later in the year. Risks remain and disruptions can and will occur. COVID variants may also have adverse effects on the markets.

COVID Update

Our team is prepared to provide service for you in-person or virtually through phone calls or video meetings. Our financial advisors and client service team will take your lead re: wearing a mask. We continue to have plexiglass stands between meeting participants, clean our conference rooms after each meeting, and are pleased to have a medical grade air filtration system.



Giving Back in Meaningful Ways

During the month of June, we had the opportunity to participate in two events in support of breast cancer survivors and those who have passed. At this year's *Caddies with a Cause,* we donated a Louboutin (*ooh, ahh!*) purse for the live auction and Sherri and Stan had an opportunity to golf in the event. At the *Pink ParTee*, we were represented by team members Tyler, MaryAnn, and Stan at hole 16. Golfers spun the prize wheel to win an improved golf score on that hole or a wallet with RFID protection for credit cards. We also had some fun giveaways for all participants. ***NOTE****: The first person to*

1st Place Team

*email Chandler (chandler.fish@stephenswmg.com) and mention, "**Golf**", will win a RFID protected wallet of their own.*

Hector Benitez

Hector Benitez

This summer we have had the honor of hosting an intern from the end of June through July. Hector Benitez is a rising senior at the *International Academy (West)*. He has a keen interest in investment management and plans to pursue a related degree in college. Currently, Hector leads the Investment Club at his high school and was elected to the Michigan State Office for DECA (2021-22) as VP of Business Partnerships. DECA's mission is to prepare emerging leaders and entrepreneurs in marketing, finance, hospitality and management in high schools and colleges around the globe. In his limited free time, Hector serves as a Captain for his high school tennis team and is the founder of ThrivingMindset™, a self-help initiative that delivers self-improvement concepts to high schoolers. He is very excited to be joining our team for the summer and will be engaged in a few important office projects.

Stay safe, healthy, and let us know how we can help you.

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The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Bloomberg Commodity Index (BCOM) is a broadly diversified commodity price index distributed by Bloomberg Indexes. The BCOM tracks prices of futures contracts on physical commodities on the commodity markets. The index is designed to minimize concentration in any one commodity or sector. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.