QUARTERLY MARKET COMMENT
Second Quarter 2021

ALEXANDER
FINANCIAL PLANNING

The U.S. investment markets continued to defy gravity last quarter, closing out the 2nd quarter, and the first half of 2021 at new record highs. This is the 5th consecutive quarter where the U.S. markets posted gains. Everywhere you looked in a diversified portfolio, you saw gains. There was a rotation back to large growth throughout the 2nd quarter. The technology heavy Nasdaq Composite Index gained 11.25% in the second quarter, and is sitting on a 12.73% gain so far this year. Even though large caps out performed mid and small caps in the 2nd quarter, year to date small caps are still in the lead. In similar fashion, growth out performed value last quarter, but value has outperformed growth year to date. International stocks also experienced positive returns, but with less bullish intensity as the U.S. In aggregate, European stocks were up 6.37% for the quarter, gaining 10.11% year to date, while EAFE's Far East Index returned just 1.47% for 2021. Emerging market stocks of less developed countries, the EAFE EM index, gained 4.42% in dollar terms in the 2nd quarter, and finished the first half of the year up 6.46%. U.S. Real Estate was the best performer for the 2nd quarter at 11.34% and 20.43% for the year. Natural Resources and commodities have also experienced whopper returns. The energy and metals component of the index, which is influenced by the jump in oil prices, is up 37.62% so far in 2021. In the fixed income markets, the rates on longer-term securities jumped from historically low rates to simply low rates. Ten-year Treasury bonds are yielding 1.465%, while 3, 6, and 12 month bills are still barely positive yields. As a result of the slight move up in interest rates, the underlying value of bonds continues to shift more into negative territory.

Asset Index Category	2Q 2021 %	YTD 2021 %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	8.17	14.41	15.41	12.52
S&P 400 Index-Mid-size Companies	3.33	16.89	12.49	10.67
Russell 2000 Index-Sm Companies	4.05	17.00	14.94	10.81
Natural Resource Funds	7.31	20.74	11.51	3.43
Gold	3.15	-6.96	4.76	0.78
US Real Estate Funds	11.34	20.43	7.03	9.08
Global Real Estate Funds	8.73	14.32	6.57	6.49
MSCI EAFE-Developed International	4.37	7.33	7.46	3.04
MSCI EM Index-Emerging Markets	4.42	6.46	10.51	1.83
Barclays US Aggregate Bond Index	1.83	-1.60	3.03	3.39
Long US Government Bond Index	5.79	-8.92	0.27	3.27
Emerging Market Bond Index	3.69	-1.65	3.88	2.75

This investment climate is not unprecedented (the late 1990s come to mind), but the current investing climate is clearly far from normal. Stock market investing always comes with a certain amount of risk, even if the risks are sometimes temporarily hidden from view. Inflation concerns have been popping up with a 5% single month increase in the Consumer Price Index, the highest jump in 13 years. But elsewhere, there doesn't seem to be any obvious cause for alarm. Hiring and consumer spending are rising, and small business owners' confidence has bounced back above its pandemic lows. Congress is about to pass some kind of a stimulative infrastructure bill, and interest rates remain low. Corporate earnings are projected to come in at record levels by the end of the year.

Of course, that doesn't mean we couldn't hit some rough patches in the second half of the year. Investor sentiment can be tricky, and bull markets have a tendency to end unexpectedly. The new variants of COVID-19 are an unknown factor, and eventually the government will have to stop juicing the economy with ever-greater amounts of money. We ought to be able to enjoy the gains we've experienced so far in the year without trying to project them out into the unknown future.

At this point, we continue to remain broadly diversified: balancing domestic vs. international exposure; growth vs. value; as well as large, medium, and small companies. Interest rates and bond yields have started to move off of their rock bottom levels. To protect principle, we are maintaining short-term duration positions with exposure to securities that are more insulated to the rise in interest rates.

In the meantime, we suggest to tune out the noise, focus on your long-term goals, and continue to practice what our health professionals are asking of us. Please know that we are here for you as your thinking partner, your resource, and your guide. We truly value you as our client and we are grateful for the trust you've placed in us and in helping guide you through your financial life.

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