# 1st Quarter 2021



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Happy Spring! First, we would like to thank all of you for your good wishes and prayers as both Joe and Bev continue to recover from what we will classify as non-mild cases of covid. As the days pass by each continues to improve. Fortunately, Adam and his family were spared from the virus. Second, we would like to thank everyone for their patience during the transition to both Etrade Advisory Services and Private Client Services. A few hiccups along the way but by in large things went fairly smoothly.

On to the markets, 2020 will be remembered by most as the year of the pandemic. Investors will remember it as a good year in the end with a wild ride in the middle. Stocks suffered one of the quickest declines on record in March but quickly recovered and hit new highs by year end. 2021 has picked up where 2020 left off as the S & P 500 index was up just over 6% for the first quarter. The bond market had a difficult quarter as the yield on the 10-year treasury rose from .90% to just over 1.7% This may not seem like much but in the bond market this is a substantial move. Keep in mind that bond prices fall when yields rise so bond funds experienced losses ranging from 2% to over 10% depending on the type of bonds owned. This appears to have been largely due to inflation fears as the Federal Reserve and stimulus payments continue to flood the world with liquidity. Often times, excess liquidity leads to inflation.

> ***"The most important quality for an investor is temperament, not intellect."***
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> **- Warren Buffett**

As we enter the second quarter our eyes are closely watching the bond market and the Federal Reserve. The Fed has maintained that they will not be raising interest rates until 2022. We would not be so sure; the bond market is sending a different message.

Generally, speaking as interest rates rise stock market growth tends to slow down. If the yield on the 10-year treasury continues to rise and in particular; if it rises quickly, we may need to make changes to portfolios. It is too early to tell, and we certainly don't want to react to one negative quarter in the bond market (The same way we didn't react to the 35% decline in stocks in March of 2020), but as we said this bears close watching. As always if you have any questions, please feel free to reach out via phone or email.

**The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.*

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