

2nd Quarter 2021

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Markets stayed on track nicely through the second quarter of 2021 with the S&P 500 posting a gain of just over 8%. This brings the year-to-date gain on the index to 15%. The bigger surprise for the quarter was the rebound in the bond market. After a rough first quarter in which the Aggregate Bond Index declined 3%+ it rebounded approximately 1.7% for the second quarter. However, the aggregate bond index is still down just over 1.5% for the year. International stocks also had a nice first half of the year with returns in the 7-10 percent range depending on where on the globe you are looking.

One of the most popular topics of conversation amongst the financial media has been inflation. This stands to reason as we have had a noticeable jump in inflation for the first time in nearly 30 years as noted by the CPI (Consumer Price Index) hitting its highest level since 1991. There is no question we are all paying more for most things including food, energy, housing and used cars to name a few. At its core, inflation is simply too much money chasing too few goods. We have had a perfect storm for this with Government Stimulus and Federal Reserve easing at record levels while at the same time having supply and inventory levels at record lows.

The million-dollar question is, will this inflation pass through over the next 6-12 months or will it be something to worry about longer term. It is simply too early to tell on this but needless to say we are watching this closely.

Generally, speaking inflation is not good for bonds as yields tend to rise (bond prices fall) as investors demand higher yields to compensate for inflation risk. Stocks through-out history have had mixed results during times of higher inflation.

In terms of our model portfolios, returns have ranged from just over 4% in the conservative models to over 10% in the growth models year to date. We will be maintaining the same risk profiles we started the year with, for the time being.

***The most important
quality for an investor
is temperament, not
intellect."***

- Warren Buffett

However, we will be making some adjustments to some of the underlying funds. We will keep you up to date via emails pertaining to the specific model you are in as we make these changes.

With most Financial Assets being extremely expensive relative to most of history, we need to stay vigilant in terms of monitoring our indicators, some of which are showing increasing risks. That being said if things stay, "as is" we believe the markets can finish out the year on a good note. We are eyeing several events that may increase headwinds in early 2022. We will see if these play out over the remainder of the year.

Lastly, we would like to welcome and introduce Two new members of our team, Allen Mix and Dave Dickinson. Allen comes to us with over 15 years of experience in the financial services industry, most recently with Key Private Bank. He will be working with clients to solidify their financial future. Dave is our Chief Compliance Officer and has been in compliance consulting for over 20 years. He will handle all compliance related issues for the firm. If you would like to send Allen or Dave an email they can be reached at Allen@rockportwealth.com or Dave@rockportwealth.com.

As always if you have any question feel free to reach out. Have a safe remainder of your summer.

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

**The indices referenced are unmanaged and do not reflect management fees, and transaction costs that are associated with some investments.*

**Cannot invest directly in an index*

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