


June 2, 2021	Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil	
	34,600	4,208	13,756	2,298	1.59%	37,714	\$1,911	\$68.67	

Investment Strategy Report

Stocks Take A Breather In May, Holding On To Their Gains

Stocks ended the month of May about where they started, although the ride was a bit bumpier than that. Stocks peaked during the first few weeks of the month, then suffered several sell-offs, before ending the month basically flat. Louis Navellier likes to call this the washing machine market, with a lot of churning going on but not much change. “The S&P 500 and Dow both rose to new all-time highs in early May, as wave after wave of spectacular first quarter earnings were released. After that, some stocks were hit with profit-taking, and that added to the stock market’s recent volatility”, he stated in his June newsletter. After a spectacular recovery in 2020 followed by a solid start to 2021, stocks might very well go sideways for a while as we enter the summer months.

In last month’s letter, I introduced the concern about inflation. With the economy beginning to hit on all cylinders, and consumers’ pent-up demand causing an acceleration in the recovery, it seems like nothing could stop the stock market’s uptrend – except possibly inflation. Inflation has very often, throughout history, been the bane of the stock market, causing stocks to fall despite a robust economy. It is the fear of an overheating economy that “mucks up” the works. Bob Brinker addresses this issue in his June letter. “In recent weeks, the stock market has been caught in a tug-of-war between two sets of investors. The first group is the “confident” group, and embraces the Federal Reserve view that the current spike in inflation will be transitory. The second group is the “fearful group” and they are concerned that the forces of inflation .. will cause a lowering of equity valuations”. Brinker places himself in the “transitory inflation camp and does not anticipate a period of sustained inflation”, feeling that the effects of the fiscal and monetary stimulus should be played out by autumn.

Another unknown for the markets is the fate of President Biden’s spending and tax proposals. The \$1.9 trillion Covid Relief bill passed back in March, but there is still the possibility of another \$4 trillion of spending. The president has also proposed corporate tax increases and a capital gains tax increase. Whether these bills get passed and/or watered down will have an effect on stocks. The markets also have to figure out whether all this government spending is good or bad for stocks. The spending is putting money into the pockets of consumers (good?), but the long term effects of skyrocketing debt need to be addressed at some point. Will we see a short term stock market high now followed by a market give back some time in the not too distant future?

For those pessimists out there, who don’t understand how the stock market can continue to move higher despite the trillions of dollars of debt that keep on piling up, my answer is that we are most likely too early in the recovery phase for the markets to suffer a significant setback. With the opening of our economy just getting started, there is too much good news for a recession to appear any time soon. And for the optimists who feel that it doesn’t get any better than this, that the whole world wants to get back to normal and go to restaurants, movie theaters, and take vacations again, keep in mind that “it doesn’t get any better than this” are dangerous words. Stock markets correct when you least expect it. Economist Edward Yardeni, who I respect very much, recently forecast S&P 4,500 as a reasonable yearend target. That represents about a 7% gain from here. That’s probably the most that we can expect for now. Getting past that point will most likely be very tough sledding.

Estate Planning – Now that tax season is over, I thought that it would be a good time to remind you of the importance of estate planning. This would involve working with me and your attorney to make sure that 1) your will, power of attorney, and health care proxies are in place, 2) your power of attorney is listed on your brokerage accounts, 3) you have the correct beneficiaries on your brokerage accounts, 4) you have trusts in your estate plan if appropriate, 5) you have planned for a potential incapacity and or nursing home care, and much more. Feel free to call me to get the process started if you haven’t already done so or if your situation has recently changed.

In-Office Meetings – Now that I have been fully vaccinated, I have begun to meet with those of you who are also fully vaccinated. Of course, I will continue to meet with you through Zoom calls if you prefer meeting that way. *Jeff Feldman*