Foresight Market Summary

August 2021

Market Hindsight

"Stocks continue to exhibit impressive resiliency."

Equities	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
S&P 500 Index	21.49%	7.92%	19.45%	30.76%	17.94%	17.83%
MSCI All Country World Index	15.70%	4.46%	13.62%	28.10%	14.25%	14.39%
Russell 2000 Small Cap Index	15.72%	0.42%	3.74%	45.37%	10.83%	14.22%
Dow Index	16.90%	2.84%	15.30%	25.64%	13.14%	16.34%
MSCI EAFE Index	11.55%	1.03%	10.31%	26.22%	8.71%	9.63%
MSCI Emerging Market Index	1.91%	-3.63%	-1.68%	17.55%	8.96%	9.51%

Econ. Indicators	Percent	As of
Fed Funds Target	0.25%	8/31/2021
Inflation Core CPI	5.30%	8/31/2021
Unemployment	5.20%	8/31/2021
Real GDP Growth	12.18%	8/31/2021
Yield Curve Spread	1.10%	8/31/2021
Wage Growth	4.76%	8/31/2021

Bonds	Yield	YTD	3-Month	6-Month	1-Year	3-Year	5-Year
US Treasury Bond Index	0.95%	-1.51%	1.96%	1.38%	-1.95%	4.84%	2.31%
US Aggregate Bond Index	1.84%	-0.73%	1.65%	1.48%	0.11%	5.38%	3.06%
US Bank Loan Index	3.20%	1.78%	0.33%	0.75%	4.81%	2.76%	3.09%
US High Yield Bond Index	4.36%	3.68%	1.89%	3.41%	8.19%	5.81%	5.46%

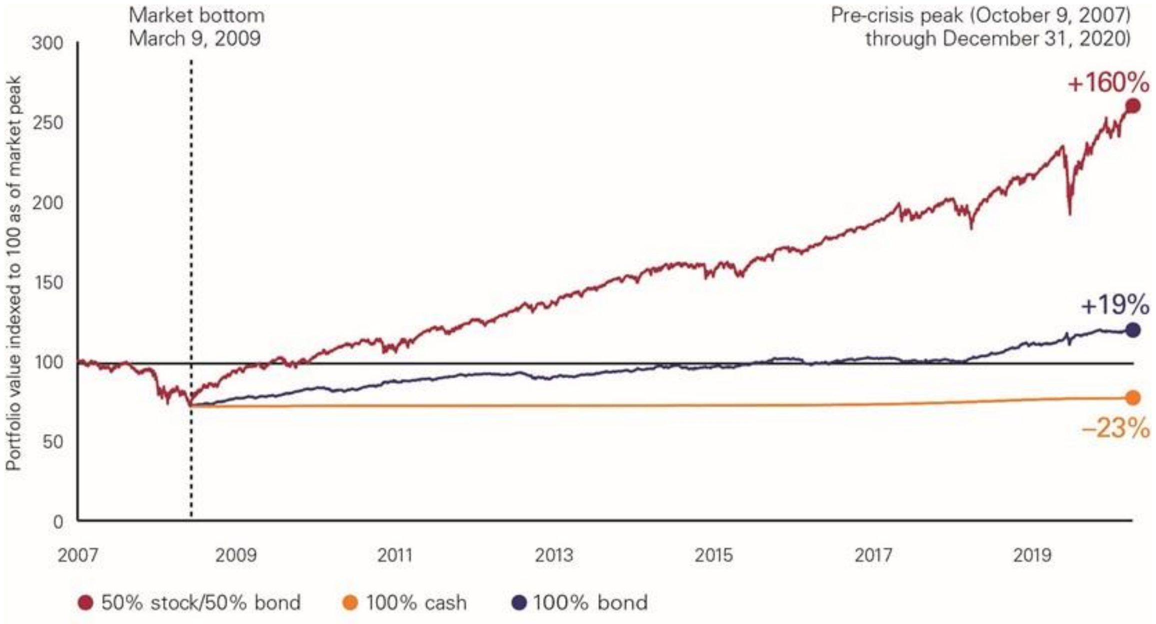
August was strong across the board for the global equity market. Stocks continue to exhibit impressive resiliency. U.S. Large Cap (S&P 500) leads all major markets and is up 21.5% YTD. Small Cap (Russell 2000) is up 15.7% YTD, and Emerging Markets (EM) returned to positive territory and is now up 1.9% YTD. The bond market continues to be choppy and deliver muted returns. Aggregate Bonds and Treasury Bonds are each down ~1% on the year, while Bank Loans and High Yield Bonds are up 2-4% YTD.

Economic Foresight

In August, there were several facets of U.S. policy that resulted in an uptick in general anxiety. Congress passed the budget resolution, which will likely coincide with increases to personal and corporate tax rates. The U.S. military withdrew from Afghanistan, which resulted in President Biden’s approval rating plummeting. Additionally, Jay Powell, Chair of the Federal Reserve (Fed), confirmed the Fed’s intentions to begin the “tapering” process later in 2021, citing a continuation of “substantial economic progress.” That will be the first step in a less accommodative monetary policy stance. Given the large degree of current policy decisions and the corresponding fear those invoke, it’s worthwhile to issue our reminder that the economy drives the market, not politics. Despite all the political noise out there, the economy is on sound footing at the moment, and economic re-opening momentum continues.

August Insight

Stay the course



Source: FactSet

We often promote the importance of staying the course in one's investment strategy. That becomes increasingly difficult when market gyrations amplify. Vanguard produced this chart illustrating three very different investment outcomes. The red line is a 50/50 stock/bond portfolio that stuck with its investment strategy through the Global Financial Crisis. The other two portfolios succumbed to fear and moved to all bonds (blue) and all cash (yellow). The end-result is obvious: it's highly rewarding to stay the course in turbulent market environments, even when the current moment feels uncertain.

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WEALTH MANAGEMENT

Questions? Email us at 401k@foresightwealth.com