



Market in a Minute

June 15, 2021

Index Performance: As of June 11, 2021

Index	Price	Last Week	YTD
S&P 500	4,247.44	0.49%	14.78%
Dow Jones	34,479.60	-0.43%	14.08%
NASDAQ	14,069.42	1.35%	10.80%
Russell 2000	12,018.33	0.73%	20.49%
Russell 2000 Growth	11,189.95	1.69%	8.98%
Russell 2000 Value	16,949.67	0.95%	32.99%
Russell 1000 Value	2,632.80	1.50%	10.33%
Russell 1000 Growth	2,197.41	-0.20%	20.38%
Shanghai SE Index	3,610.86	0.31%	3.08%
SPDR Gold Shares	175.74	-1.20%	-3.61%
GS Crude Oil Total Return	120	4.35%	135.29%
Powershares US \$ Index	24.35	0.62%	0.37%
iShares EAFE Index	81	-1.16%	10.44%
iShares Barclays 20+ Yr Treasury Bond	142.31	2.04%	-9.67%
Utilities Select Sector ETF	66.11	0.92%	8.16%
Vanguard REIT ETF	105.08	1.28%	27.88%
iShares Mortgage Real Estate	37.85	-0.66%	22.53%
Alerian MLP ETF	38.28	4.31%	50.47%
iShares Global Telecom	86.03	-0.15%	16.86%
ETFMG Alternative Harvest ETF	21.59	-1.46%	45.29%

A Word on the Market

By: Patrick Adams, CFA



This week, the Federal Reserve meets to discuss monetary policy. The Fed has been very consistent in prior meetings to say they do not anticipate increasing interest rates through 2023. They did announce recently that they would be selling the \$13.7 billion of corporate bonds it purchased during the pandemic. **The Fed is currently buying \$80 billion worth of Treasury debt and \$40 billion in mortgage-backed bonds, or a whopping \$120 billion per month. This is such a large amount of money, which ultimately flows into the financial markets, that is simply not sustainable. Everyone knows this cannot continue, but we expect the market will ultimately take this very poorly when the Fed starts to taper back these purchases. During May 2013, the Fed announce it was going to cut back on buying bonds and over the next month the S&P 500 fell over 6% and bond yields jumped significantly.**

The market is becoming concerned the Fed will have to start to talk about its plan on cutting back these enormous purchases in the face of the recent very high inflation reports, highest since 2008. We agree with the Fed, to a point, that most of the inflation is transitory due to the demand created by re-opening the economy and the large fiscal stimulus. The issue, as we see it, energy costs are not going down due to Biden's energy policy, oil will likely continue higher for a while. **Higher oil prices impact**

BitCoin Investment Trust	30.78	4.09%	-12.26%
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Source: Bloomberg & Yahoo.com, Returns are appreciation only.

S&P Sector Performance: As of June 11, 2021

Index	Price	Last Week	YTD
Information Technology	2,489.51	1.40%	10.64%
Consumer Disc.	1,388.59	1.68%	7.82%
Consumer Staples	727.42	-0.54%	5.62%
Health Care	1,448.24	1.59%	9.97%
Financials	622.55	-1.77%	28.68%
Industrials	103.51	-1.74%	19.79%
Energy	413.47	-0.19%	44.32%
Communications Services	260.93	0.34%	19.38%
Utilities	333.99	0.90%	7.48%
Materials	539.48	-0.81%	19.61%
Real Estate	283.61	1.03%	28.68%

Source: Bloomberg website, Returns are appreciation only.

Interest Rates

Fed Fund	.25	5-Year	0.76
3-Month	0.03	10-Year	1.47
6-Month	0.04	30-Year	2.15
2-Year	0.16		

Source: Bloomberg.com

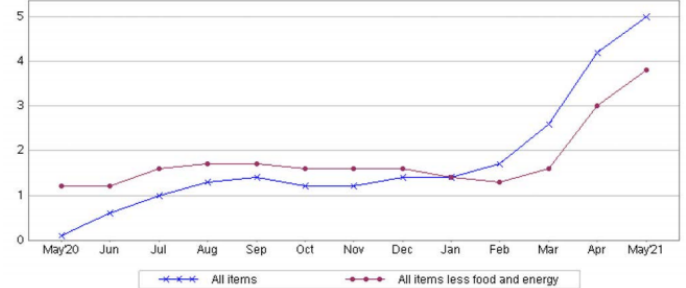
Economic Events This Week

15-Jun	Core Retail Sales m/m,	0.4%	-0.8%
15-Jun	PPI m/m	0.5%	0.6%
15-Jun	Retail Sales m/m	-0.6%	0.0
16-Jun	CPI m/m	0.4%	0.5%
16-Jun	GDP q/q	0.5%	-1.0%

Source: Briefing.com

costs of so many products, so we will likely see inflation persist at a higher level than desired.

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, May 2020 - May 2021



Last week, there was a clear rotation in the market to go back to the growth stocks and away from cyclicals/value stocks and it continues on Monday. The same trade occurred during the last taper tantrum when growth performed well for many years. You can see below from the chart of the **Nasdaq**, representing growth, **Biotech** also representing growth, and the **Russell 1000 Value**, a clear rotation to growth. The market is nervous about the Fed meeting on Wednesday.



We believe the Fed could cause some serious problems for the market, but do not expect it to happen at this meeting, as they have been so consistent in the communications. We expect them to suggest that perhaps next year they will begin to reduce their bond purchases and keep the same outlook on increasing interest rates, not anytime soon.

Economic Events Last Week

Date	Event
Modest gain in consumer credit for third straight month, led by auto lending	Jun-7
In April, Boeing airplanes help the U.S. Trade deficit narrow	Jun-8
U.S. budget deficit climbs to record \$2.1 trillion	Jun-10
Consumer prices soar again pushing CPI inflation rate to 13-year high	Jun-10
In June, consumer sentiment rebounds lead by views of wealthier Americans	Jun-11

Source: Briefing.com

Our view, **the market is fully valued**, there will be less government stimulus into next year, and economic growth will remain positive but much less growth in 2022 as well as slower earnings. Growth stocks are expensive, **value is cheap on a relative basis, and small biotech is very attractive**. The BIIB news is going to bring more money into the Biotech space. **If inflation does not begin to recede then a significant correction will occur. If the S&P 500 breaks the 4200 level to the downside, it would trigger more selling**, currently 4237. **There is modest upside and meaningful downside**, but the upside seems likely before we see the downside.

Please note the Fed will make their announcement on Wednesday at 2 p.m. ET.

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