

The Great Re-Opening

The second quarter ushered in the long awaited “return to normal,” or at least something close to pre-COVID-19 experiences. Economic activity leapt forward as a result, with demand overwhelming many businesses and (still recovering) supply chains. Stock market optimism continued as the S&P500 built on the growth of first quarter; experiencing a strong April before leveling out and meandering throughout May and most of June. A small rise during the last few days allowed it to close out the quarter at a new all-time high.

International markets fared similarly to the US, though saw a decline in late June as opposed to a rally. Euro area business activity surged in June as the region’s “restart” began to take hold, but other areas, especially emerging markets, continue to struggle with vaccine supply and rollouts, further delaying broader global recovery efforts.

Fixed income experienced a much calmer quarter. Interest rates rose sharply earlier in the year, but gradually softened throughout the last three months, helping bond prices to recover. In general, yields remain at low levels and are likely to stay in a similar range for some time.

As the stock market continues to delight and surprise with its strong growth, many are wondering where we go from here. While reaching new peaks this soon after a bear market is rare, it is encouraging to note that strong growth following a sharp decline is not. Going back to 1970, bear markets with losses of 30% or more have historically ushered in bull markets that produced above average gains for the subsequent two years. Those recoveries have not been without volatility, however, as those two-year periods have typically experienced pullbacks along the way, with an average drop during that second year of -10.2%.

Overall, economic data looks encouraging as the world emerges from the pandemic. Global output is now back to pre-pandemic levels but is still 3% lower than it would have been without the hit. The broad expectation that the gap will narrow over the coming year is driving strong growth forecasts and contributing to the stock market optimism. It is important to note that we are not completely “out of the woods” yet regarding COVID-19 – new variants continue to emerge and vaccination rates in the US have slowed dramatically, increasing the possibility of future outbreaks or virus mutations.

We touched on inflation concerns last quarter and it continues to be one of the most common questions we are asked, no doubt spurred by media attention and visible price increases across many different areas and goods. Looking at the data, it appears that the spikes we are currently seeing are not structural; rather temporary and mostly COVID-related – resulting from a combination of pent-up demand and supply chain bottlenecks. While factors could certainly change as we move forward, at this point the most likely scenario is inflation normalizing back to pre-COVID levels as we move through 2022.

As always, [please let us know](#) of any questions or concerns. We are available to visit in-person, via Zoom, or on the phone.

The PWM Team

Market Update

Market index returns for the second quarter and year of 2021

	Q2	YTD
DOW	+5.08%	+13.79%
NASDAQ	+9.68%	+12.92%
S&P 500	+8.55%	+15.25%
MSCI EAFE	+5.17%	+8.83%
Barclays Agg	+1.83%	-1.60%

Home Options Limited

Only 1.16 million existing homes were for sale in the US as of the end of April. This is the lowest level ever reported since the statistic began being tracked in 1999.

Out Golfing

Golfers played 500 million rounds of golf in the US during 2020, an increase of nearly 14% over calendar year 2019. This is especially remarkable given that most courses were closed for at least a month in the spring of 2020!

PWM Insights

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Statements regarding stock market returns refer to the S&P 500 index and bond index returns refer to Barclays Aggregate Index.

S&P 500: The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks.

The Barclays US Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market

The Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australia and the Far East.

DJIA- A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials including stocks that trade on the New York Stock Exchange
Nasdaq- A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.