

MARKET COMMENTARY

During the first half of 2021, the potential effects of vaccinations were the focus of the financial markets. As widely anticipated, the U.S. was beginning to see a reduction in cases and deaths related to COVID. Since the stock market tends to be a forward-looking mechanism, stock prices reflected an economic recovery before it actually occurred.

As we enter the second half of the year, we anticipate that the bond and stock markets will be less driven by COVID-related data. They will instead focus more on traditional fundamental factors such as economic growth trends, company earnings and estimates, and subsequent actions by the Federal Reserve.

Inflation will remain a concern for the rest of the year. Not only have we witnessed extreme price increases in many building materials such as lumber and copper, more moderate yet noticeable price increases have been observed on a wide range of products and services. As a result, we believe that inflation will remain above its historical average of 3.0% for some time but we do not expect a reoccurrence of the high levels of inflation that were witnesses in the 1970's. Rather, we believe inflation will settle down as the

supply chain comes into balance as inventories are replenished, employees re-enter the workforce and the high level of pent-up demand begins to moderate.

The markets will also be sensitive to any news related to the proposed infrastructure bill as well as the likely increase in taxes. The passing of any legislation regarding these two issues will be a slow process and a matter of political debate. We also believe that there will be significant changes before any vote is finalized. Regardless the outcomes, as long as the economy maintains its positive momentum, we believe the equity market is well position to show positive returns.

However, this does not mean that there will not be challenges. Volatility will return at some point, as the history of markets suggests. One potential catalyst is a change in Fed policy. Eventually, the Federal Reserve will change course and reduce the amount of liquidity that it is injecting into the economy. Even the hint of a change may spook the market temporarily. Rather than try to market time when this may occur, we believe the prudent course of action is to maintain a diversified and balanced portfolio,

local independent personal accessible
interactive creative local independent personal
knowledgeable thoughtful ethical experienced

stay invested, and remain nimble and opportunistic. Engaging in an all-in or all-out investment strategy generally is counter-productive to long term wealth creation.

As always, we would like to take this opportunity to thank you for your continued confidence in Sigma Investment Counselors. Enjoy the summer.

Wenma Gorman, CFA, CFP®

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