ONE+ONE WEALTH MANAGEMENT

Quarter-End – Market Summary

	June '21	Q2 2021	YTD	1-Year	3-Year
S&P 500	2.33%	8.55%	15.25%	40.79%	18.67%
NASDAQ	5.55%	9.68%	12.92%	45.23%	25.72%
DJIA	0.02%	5.08%	13.79%	36.34%	15.02%
Russell 2000	1.94%	4.29%	17.54%	62.03%	13.52%
MSCI EAFE	-1.13%	5.17%	8.83%	32.35%	8.27%
MSCI EM	0.17%	5.05%	7.45%	40.90%	11.27%
U.S. Barclays Agg.	0.70%	1.83%	-1.60%	-0.33%	5.34%

Source: Bloomberg. Data as of 6/30/2021. Data over 1YR is annualized.

Past performance is not indicative of future results.

Developments over the Past Month:

- Stocks continued to chop between the 4050 - 4300 S&P500 range that they have been trapped in since mid-April – though, it ended the month on the higher end of this level. A second meme stock rally has filled the news headlines in an otherwise quiet two months of trading. Like equities, bond yields are in a similar holding pattern.

- Year-to-date, 10-Year US Treasury yields have marched higher (0.93% on 12/31/2020), though took a breather over the last three months, continuing to drive daily movements in the market, and closed the month lower around the 1.50% level.

- The Fed promised that rates would remain in the 0% - 0.25% range through 2023, with the goal of stoking inflation to moderately exceed 2% for some time. Fed Chair Powell seemed more dovish in the press conference vs. the relatively hawkish committee projections. He opened the door to a discussion on QE tapering, but noted that the U.S. is still not at the "substantial further progress" standard that would allow policy normalization. Powell called this the "talking about talking about meeting". The Fed dots (forecasts for future fed funds) rose from the zero bound in 2023, but Powell noted that there is a large amount of uncertainty over the next 2 years.

- As far as "reasons" the 10-year yield is increasing, we believe this can be attributed to the introductions of President Biden's Build Back Better infrastructure program of nearly $4 trillion in spending over the coming years. That, combined with the continued acceleration of vaccine distribution, we believe is pushing growth and inflation expectations even higher.

- 5-Year Break-evens (market estimated inflation over the next five years) is 2.40%, well above the Fed's desired 2% threshold. Remember, Powell said the Federal Reserve would let this run hot for a bit, i.e., above 2%. Ultimately, the yield curve is pricing in higher inflation expectations. However, we believe that the market is pricing in a normalization of rates, as the U.S. remains the only country still below its pre-COVID 10-Yr interest rate level.

- The G-7 made an agreement to impose a minimum tax deal on multinationals of 15%. This deal is being pushed by Treasury Secretary Janet Yellen. Implementation though is no guarantee. We'd expect other countries will simply wait and let the U.S. take the lead. In summary, we believe the odds of a tax hike occurring this year have substantially declined since April.

- 25 states have announced that they will eliminate enhanced Federal benefits ahead of its scheduled expiration in September.

- From our perspective, earnings season for Q1 2021 was excellent. The overall S&P 500 earnings growth rate jumped to 46.3% from 33.9% for the first quarter. All eleven sectors saw earnings growth strengthen, with energy growth flipping positive. From a top-line perspective, all but the Real Estate sector saw improvements.
- 2019 S&P 500 operating earnings = $165. Bottoms-up for 2020 = $142 (was as low as $125 in June). 2021 = $185.

- S&P 500 Forward 12-month P/E is at 23x. CAPE (Cyclically Adjusted Price/Earnings) Ratio is 36x. EAFE (UK, Europe, Japan) is 17x Forward 12-month P/E, while Emerging Markets is at 14x. US Large Cap Growth stocks P/E (Russell 1000 Growth Index) is 18x v. US Large Cap Value stocks P/E (Russell 1000 Value Index) at 29x.

July 2021

- President Biden outlined the biggest expansion of the federal government matched with the largest tax increase since 1968. Biden senses the post-COVID era is a once-in-a-generation opportunity to massively restructure US fiscal, monetary, and social policy. In our opinion, **this is a big experiment.**

- We have expected bond yields to rise as the pandemic improves and economic activity begins to normalize. The interest rate difference between the 2-yr US Treasury Bond and 10-yr US Treasury Bond has historically expanded as wide as +3.0% (~1.40% as of June month-end)

- Thanks to continued vaccine developments, there is light at the end of the tunnel, and markets are pricing in a recovery in 2021 propelled by low interest rates. Still, **the best fiscal stimulus the economy can have is reopening the economy.**

- This is not a normal economic cycle, which is caused by financial excesses. This may help explain the stealth recovery in asset prices (along with the Fed flooding the markets with liquidity).

- Should a successful vaccine allow for the resumption of normal economic activity, our expectation is that rates will continue to rise, and market leadership will shift away from Tech/Growth into more downtrodden Value components of the market.

- We feel it will be worth watching the general trend of economic and fundamental data, and when it will begin to decelerate. It's tough to get better than the best. Are we already at peak growth, and what happens after peak growth?

- Longer-term, we believe valuations and bond yields will eventually matter, and both will lower expected returns for balanced portfolios.

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The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 11.2 trillion indexed or benchmarked to the index, with indexed assets comprising approximately USD 4.6 trillion of this total. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. To be eligible for inclusion in the Index, the security's U.S. listing must be exclusively on The Nasdaq Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing). The security types eligible for the Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The Russell 2000® Index measures the performance of the small-cap segment of the US equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

*The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries*around the world, excluding the US and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.*

The MSCI Emerging Markets Index captures large and mid-cap representation across 26 Emerging Markets (EM) countries. With 1,387 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.*

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities.