



BENNETT, BENNETT & JOHNSON FINANCIAL SERVICES

Fund Commentary 2nd Quarter 2021

Nearly a full month into the second quarter, we continue to watch interest rates closely. On August 4, 2020, the 10-year treasury rate closed at 0.5150. It closed the first quarter on March 31, 2021 at 1.7460. If rates continue to rise through the remainder of the year, we expect the bond portion of our models to underperform, especially when compared to last year. However, we maintain our belief that having a well-diversified portfolio is very important. We will continue to entertain the idea of reducing the duration of the bond portion within our models, but we are not yet ready to make that decision—primarily because the 10-year rate has retreated slightly in April.¹

As of April 20th, the S&P 500 is up over 10% for the year.² The equity markets continue to reach new all-time highs, and analysts anticipate an excellent second quarter.³

In our 4th quarter commentary, we mentioned the Congressional debate over a third stimulus bill. The bill did pass, and many Americans have now received an additional \$1,400. The bill also included many other expenditures, with the bill totaling \$1.9 trillion.⁴ During our first quarter meetings, we have heard many concerns about the long-term impact of such a large spending bill. We share these concerns, which is one of the reasons that we primarily use mutual funds in our models. Mutual funds allow investors to potentially own hundreds of different stocks and bonds—providing a tremendous level of diversity that is difficult to achieve for the average investor buying individual stocks and bonds. At this time, we are maintaining current levels of equities within our models. The models are designed to align with each client's specific risk tolerance, ranging from conservative to aggressive. We look forward to meeting with you in the coming months.

¹ U.S. 10 Year Treasury. (2021, April 21). Retrieved April 21, 2021, from <https://www.cnbc.com/quotes/US10Y?qsearchterm=>

² S&P 500 Index. (2021, April 21). Retrieved April 21, 2021, from <https://www.marketwatch.com/investing/index/spx?mod=home-page>

³ Domm, P. (2021, April 1). The economy is expected to boom in the second quarter, and that's good news for stocks. Retrieved April 21, 2021, from <https://www.cnbc.com/2021/04/01/economic-boom-in-the-second-quarter-a-boost-for-stocks.html>

⁴ King, L., & Zarracina, J. (2021, March 17). President Joe Biden's COVID stimulus bill explained in 6 charts. Retrieved April 21, 2021, from <https://www.usatoday.com/in-depth/news/2021/03/10/covid-19-stimulus-bill-joe-bidens-plan-explained-6-graphics/4601454001/>