

Thursday, June 24, 2021

Good Afternoon,

After a difficult prior week, stocks have bounced back this week as investors have calmed down and had a chance to digest the Fed's statement after last week's two-day meeting. In reality, the Fed's conjecture about when they may raise interest rates (in two years, or so) is simply speculation. Much can happen over the course of the next several months to change their perspective and plans. Much more likely than raising interest rates, the Fed will begin to taper their US Treasury purchases. The Fed currently buys \$40 billion of Treasury securities each month creating an artificial demand that keeps prices higher and yields lower. Reducing these monthly purchases will happen before they change the Fed Funds Rate, and how they present their plan will determine whether or not we experience a "taper tantrum" like we did in 2013.

We mostly focus on the stock market in these updates, but it's important to look at the bond market and the messages it may be sending. On January 1st, the yield on the 10-Year Treasury was .91%. By the end of March, the yield had soared to 1.74% - a jump of over 90%. In hindsight it seems clear the bond market was anticipating a strong reopening of the economy and inflationary pressures. Since then, the 10-Year yield has come back down to 1.48%. Now, perhaps, bond investors are feeling more at ease and may agree with the Fed that recent price spikes are transitory and will settle out. We shall see – and we're keeping an eye on the bond market.

Speaking of Bonds, did you know the name 'James Bond' was actually taken from a birdwatching book Ian Fleming (Bond series author) had handy when in search a name "as mundane as possible"? The quintessential British hero is named after ornithologist Dr James Bond – an American. The 25th Bond movie will be released later this fall. By then, we may know if interest rates are shaken or stirred.

Please visit our website at www.canfg.com or the link below for the last Market Update from Commonwealth Financial Network® – the broker/dealer that supports us in helping you manage your financial life.

http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great week,

Wade

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424
(585) 396-2720

Securities and Advisory Services offered through Commonwealth Financial Network, Member FINRA, SIPC, a Registered Investment Adviser
Note: Trade orders cannot be accepted via email or voicemail.