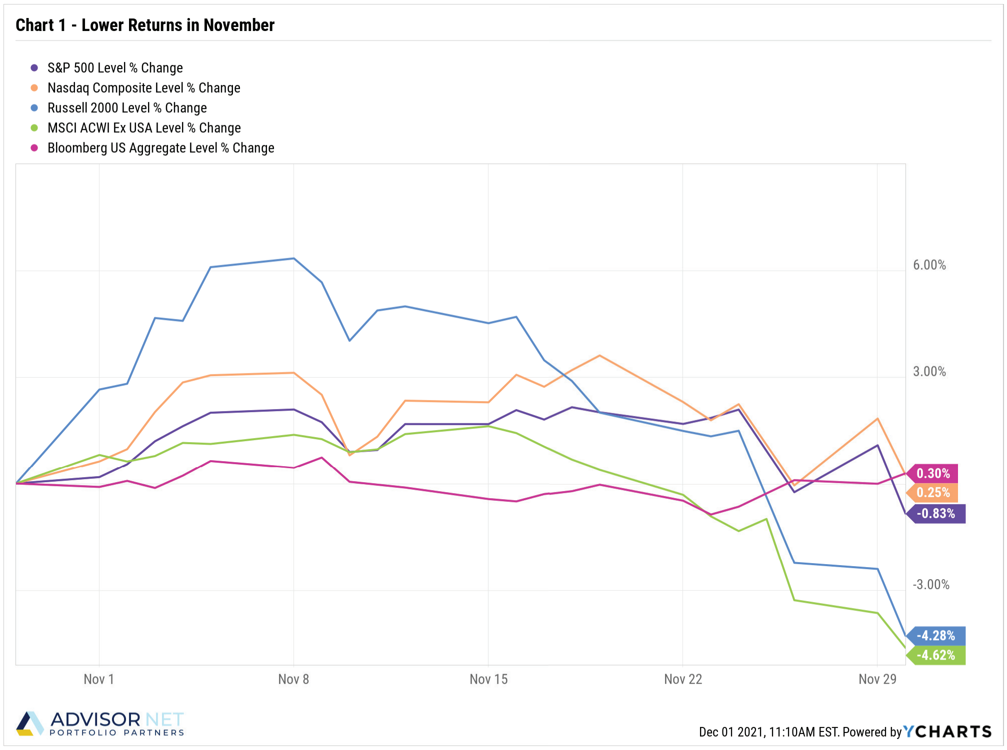
GBA Financial
financial planning for retirement

Newsletter
December 2021

COMMENTARY

Weak Returns in November

The US stock market was unable to carry the positive momentum of mid-single digit gains from October into November. The S&P 500 was down -0.83%, the NASDAQ Composite was up +0.25%, the Russell 2000 was down -4.28% and the MSCI ACWI Ex-USA lost -4.62%. US interest rates experienced some volatility during the month and ended lower leading to a positive return of +0.30% for the Bloomberg US Aggregate index. (Chart 1) We would note that bonds once again helped support returns during a period when stock returns were mixed.



Stock returns continue to be driven from opposite ends of the style spectrum. Large cap growth stocks and small cap value stocks have been the primary source of stock performance during 2021. The Russell 1000 Growth index (large cap growth stocks) and the Russell 2000 Value index (small cap value stocks) are up +24.11% and +21.55%, respectively. Meanwhile, the Russell 1000 Value index (large cap value stocks) and the Russell 2000 Growth index (small cap growth stocks) are up a less impressive +15.60% and 2.03%, respectively, during the same period. (Chart 2)

S&P 500	**4,567.00**
DIJA	**34,483.72**
NASDAQ	**15,537.69**
OIL	**$69.88** /BARREL
GOLD	**$1,800.80** /OUNCE
10-YEAR TREASURY YIELD	**1.43%**
UNEMPLOYMENT	**4.60%**
GDP	**2.10%**
PPI	**8.62%** Year-Over-Year
CPI	**6.22%** Year-Over-Year

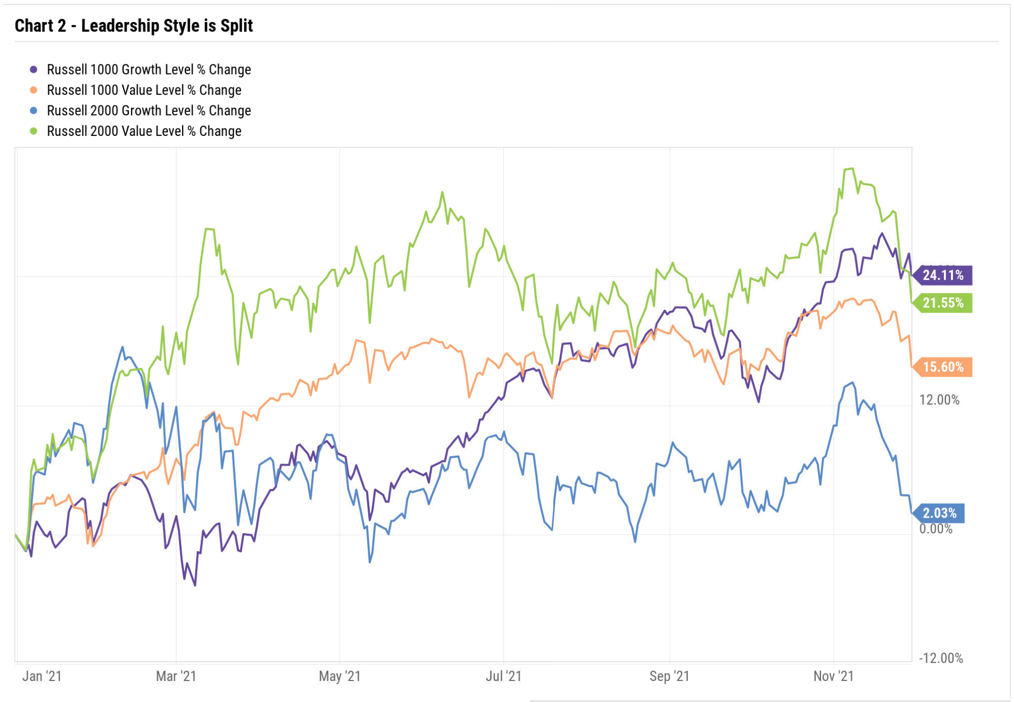
Source: ycharts.com

'TIS THE SEASON

The month of November typically marks the beginning of seasonally strong returns for the S&P 500. The time period of November 1 to April 30 has delivered positive returns of +7.5% on average since 1926. In contrast, the time period of May 1 to October 31 has "only" returned a still impressive +4.4% on average. This divergence of performance has been amplified over the last 40 years and 20 years as depicted on Chart 3.

While this "season" has started out with a bit of a thud in November due to increasing expectations around Fed tapering (buying less bonds) and a newly identified COVID variant (Omicron), we believe it may be prudent to consider the historical context of this seasonal pattern.

This is not to say that we think you should be blindly bullish, we have just found that this is one of the stronger historical patterns that is worth taking into account when making investment decisions. As usual, we will utilize our "weight of the evidence" approach and consider multiple inputs as part of our investment process in order to best help protect and grow your capital.

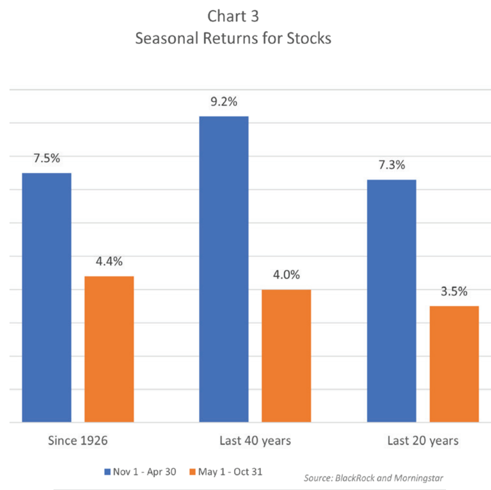


MUCH TO DIGEST IN NOVEMBER

This Thanksgiving month gave us a lot to digest. The Federal Reserve met in early November and released information that it would begin bond tapering starting later in November. Recall that the FED has been buying $80 billion of Treasury securities and $40 billion of mortgage-backed bonds each month in an effort to stimulate the economy due to COVID. The FED plans to reduce treasury purchases by $10 billion per month and mortgage-backed bonds by $5 billion per month until the buying stops around next June. This has been largely expected and many market participants think the move is prudent as massive bond buying has likely contributed to rising inflation.

Speaking of inflation, the Bureau of Labor Statistics releases information that the Consumer Price Index (CPI) rose +6.2% y/y in October. This is the largest price increase reported since November 1990. The CPI closely represents the price increases that an average American consumer is experiencing. This has been a market concern for most of the year, but we think we are now approaching a critical time where the FED needs to carefully manage removing economic stimulus without causing undue economic damage. We think the key to accomplishing this will be continued transparency with the market to minimize surprises. We continue to monitor this very closely.

Thank you for your trust and support. Stay focused on your long-term objectives.



INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	1.20%	27.92%	20.38%	17.90%
MSCI EAFE	-5.11%	11.28%	10.35%	9.71%
BAR AGG BOND	-0.73%	-1.15%	5.52%	3.65%

Source: Morningstar Direct

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The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "growth" based on a multi-factor analysis.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.
The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "value" based on a multi-factor analysis.
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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

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