GBA Financial
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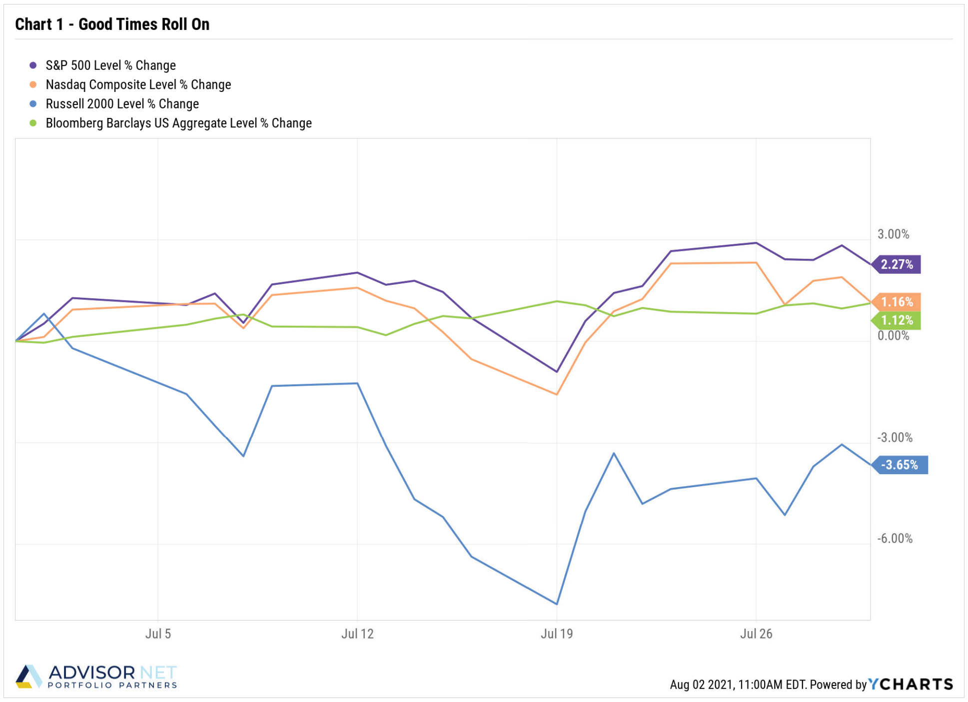
NEWSLETTER
AUGUST 2021

COMMENTARY

It's Déjà Vu All Over Again

While there is no clear evidence that Yogi Berra was the first to use this phrase, there is plenty of evidence that US stock investors continue to experience good times. The S&P 500, which tends to be the primary barometer of performance for the US stock market, finished the month of July with a +2.3% gain. The NASDAQ composite represents larger, growth-oriented companies and it finished with a positive return of +1.2% as well. Bonds also got in on the act finishing the month with a positive +1.1% gain, due to declining interest rates. The only fly in the ointment during the month seemed to come from smaller stocks as the Russell 2000 index finished with a loss of -3.7%. (See Chart 1) We believe the weight of the evidence continues to suggest higher prices ahead, but we have learned over the last 25 years that now is also an ideal time to stay alert and have a plan for multiple scenarios.



STRONG MARKET SUPPORT

The stock market had a brief pullback in mid-July that lasted about five days. The S&P 500 and NASDAQ Composite each declined around -2.5% within days of reaching all-time highs. The apparent motivation for the sell-off was a combination of a higher-than-expected Producer Price Index report and the rapid increase of the Delta Variant in the US. These fears were short-lived, however, as the market found support at its 50-day moving average and reached new all-time highs within the next week or so. You can see on Chart 2 that the 50-day moving average (blue line) has provided reliable support throughout 2021. Please don't get caught up

S&P 500	**4,395.12**
DIJA	**35,013.26**
NASDAQ	**14,615.85**
OIL	**$72.15**/BARREL
GOLD	**$1,799.60**/OUNCE
10-YEAR TREASURY YIELD	**1.24%**
UNEMPLOYMENT	**5.90%**
GDP	**6.50%**
PPI	**7.31%** Year-Over-Year
CPI	**5.39%** Year-Over-Year

Source: ycharts.com

June nonfarm payroll rose by 850,000 in June compared to expectations for 680,000.

June unemployment rate was little changed at 5.9% and 9.5 million people remained unemployed.

The Producer Price Index increased 1.0% in June compared to expectations for a 0.5% increase.

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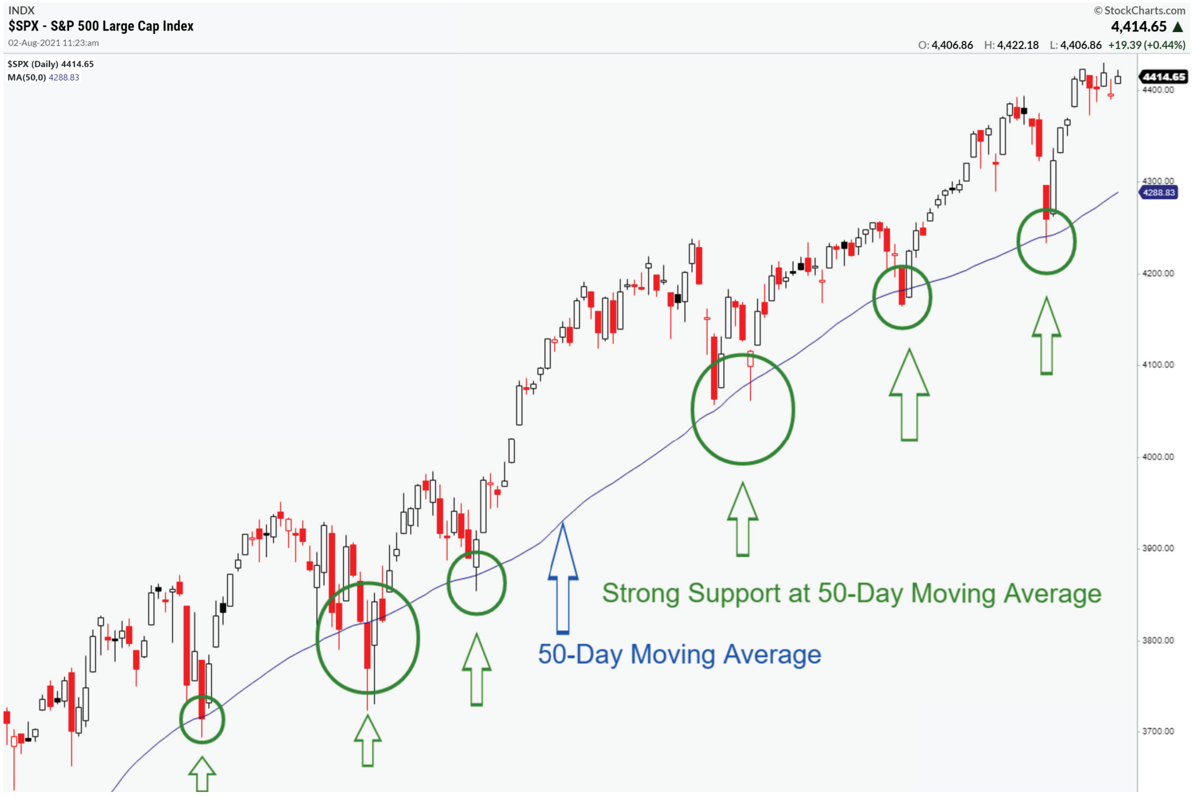
in the technical jargon of "50 day moving average." We just want you to know that it has been an important clue and we are carefully watching for the moment when it no longer provides support.



BOND MATH MADE EASY

Due to the large number of questions that we receive around interest rates and bonds, we thought it would be helpful to review some basic principles for pricing bonds. The most basic relationship to understand is that if interest rates go up, prices of existing bonds go down. For example, if I own a bond that pays 2% and rates rise to 3%, people will pay me less for my bond because it pays them less. Using the same concept: if interest rates go down, prices of existing bonds go up.

The second concept that is important to understand is duration. This is a fancy term used by bond investors, but it basically relates to the number of years an investor will get paid from a bond. The important piece of this is to remember that duration refers to length of time. Without diving into the math, it is important to know that longer duration bonds will experience bigger price moves than lower duration bonds. (Do you see where we are going with this?)

We now know that bond prices move opposite of interest rates and longer duration bonds are the most sensitive to those changes. We can use that information to help us position our bond portfolio to align with our outlook on interest rates. If we think interest rates are going down (and bond prices up), we want to own longer duration bonds so that we get the biggest price increase. If we think interest rates are going up (and bond prices down), then we want to own shorter duration bonds that are less sensitive to interest rates. This is a simple example of the math and logic we use to align our bond portfolio with our outlook for interest rates. Since we believe interest rates are not likely to move considerably lower, we took steps earlier in the year to shorten the duration of our bond portfolio.

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	5.50%	37.51%	18.35%	17.35%
MSCI EAFE	3.00%	29.04%	8.06%	9.87%
BAR AGG BOND	2.16%	-0.65%	5.76%	3.13%

Source: Morningstar Direct

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.
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 S&P 500® Information Technology comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

The S&P 500® Health Care comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.
The S&P 500® Consumer Discretionary comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.
The S&P 500® Utilities comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.
The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.
The S&P 500® Real Estate comprises stocks included in the S&P 500 that are classified as members of the GICS® real estate sector.
The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.
The S&P 500® Consumer Staples comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.
The S&P 500® Materials comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.
The S&P 500® Industrials comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.
The S&P 500® Financials comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.
The S&P 500® Energy comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

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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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