

# January 2021 Market Update

Stocks took a round-trip ride in January as they rallied to all-time highs throughout the month only to collapse in the last four trading sessions, see Chart 1 below. U.S. stocks ended down 0.7%, international stocks gained 0.2% and real estate gained 0.1%. Bonds matched stocks with a 0.7% loss.

Despite rioters storming the U.S. Capitol on January 6, Joe Biden's inauguration on January 20 was relatively uneventful. Immediately upon taking office, Biden reversed a broad swath of executive orders established under the Trump administration. We are concerned that Democratic leaders will enact new tax legislation including (1) a rollback of the corporate tax, (2) reduction of the estate tax exemption, (3) increases in capital gains taxes for high income taxpayers, (4) an elimination of the step up in basis at death, and of course (5) higher personal income taxes for high income individuals. Markets are closely watching a new stimulus proposal that will add more cash to a system flush with money.

Certain small-cap stocks, including GameStop and AMC Entertainment, experienced extreme volatility as retail investors, spurred by social media, created a frenzy of activity.

**Table 1: Benchmark Index Performance as of January 31, 2021**

Benchmark Index	1 Mo	3 Mo	12 Mo	5 Yr Ann
U.S. Stocks	-0.7%	15.1%	17.5%	16.0%
International Stocks	0.2%	20.1%	14.4%	10.6%
U.S. Bonds	-0.7%	0.4%	4.7%	4.0%
U.S. Real Estate	0.1%	14.6%	-8.5%	5.4%

**Table 2: Vanguard Global Asset Allocation Benchmarks as of Jan 31, 2021**

Vanguard Fund: % Stock/% Bond mix	1 Mo	3 Mo	12 Mo	5 Year
LifeStrategy Growth Fund: 80/20	-0.3%	14.2%	15.9%	12.2%
LifeStrategy Moderate Growth Fund: 60/40	-0.4%	10.6%	13.1%	10.2%
LifeStrategy Conservative Growth Fund: 40/60	-0.5%	7.1%	10.1%	8.2%

**Chart 1: Market Index Performance, June 30, 2020 to January 31, 2021**

