

February 2021 Market Update

Stocks took a round-trip ride in February as they rallied to all-time highs throughout the month only to give back gains in the last few trading sessions, see Chart 1 below. U.S. stocks gained 3.1%, international stocks gained 2.2% and real estate gained 4.0%. The broad U.S. bond market was off 1.4% as 10-year Treasury yields climbed from 1.11% to 1.44% during February.

The big story in stocks is the remarkable reversal of performance drivers from 2020. In 2020, large-cap growth stocks outperformed small-cap value stocks by 30% or more. That relationship inverted in November 2020 and continues today. Year-to-date the S&P 500 Large Cap Growth Index is down 0.5% while the S&P 600 Small Cap Value Index is up 17.8%. Approximately 70% of the YTD performance difference is attributable to market capitalization as opposed to value vs. growth.

As the world emerges from the coronavirus pandemic, investors have become increasingly concerned about rapid economic growth – encouraged by continuing fiscal stimulus - leading to higher inflation. This is borne out by large increases in long-term interest rates. Higher interest rates have been cited as one reason that growth stocks, including tech names, have fared poorly in 2021.

Table 1: Benchmark Index Performance as of February 28, 2021

<i>Benchmark Index</i>	<i>1 Mo</i>	<i>YTD</i>	<i>12 Mo</i>	<i>5 Yr Ann</i>
U.S. Stocks	3.1%	2.4%	32.2%	16.7%
International Stocks	2.2%	2.4%	27.2%	11.3%
U.S. Bonds	-1.4%	-2.2%	1.4%	3.6%
U.S. Real Estate	4.0%	4.1%	3.3%	6.3%

Table 2: Vanguard Asset Allocation Benchmarks as of February 28, 2021

<i>Vanguard Fund: % Stock/% Bond mix</i>	<i>1 Mo</i>	<i>YTD</i>	<i>12 Mo</i>	<i>5 Year</i>
LifeStrategy Growth Fund: 80/20	1.9%	1.6%	25.4%	12.8%
LifeStrategy Moderate Growth Fund: 60/40	1.1%	0.6%	19.1%	10.5%
LifeStrategy Conservative Growth Fund: 40/60	0.2%	-0.4%	12.8%	8.2%

Chart 1: Year-to-Date Market Index Performance as of February 28, 2021

