

May 2021 Market Update

Stocks managed to pull out small gains in May with U.S. stocks up 0.5% and international stocks up 3.1%. U.S. stocks are now up 12.4% YTD and international stocks are up 10.7%. Broad U.S. stock indices have set new all-time highs for 7 straight months going back to November 2020.

Inflation is the highest since at least 2009 as supply shortages multiply and demand is robust. Certain economic sectors, such as semiconductors, steel, lumber, and rental cars, have been caught off-guard with the rapid recovery and are grappling with supply issues, unable to produce enough goods and services and moving prices higher. April CPI, reported in May, rose 0.8% month-over-month, and 4.2% year-over-year. Most economists, including Jay Powell and the Federal Reserve, seem to think higher inflation will be transitory while the media continues to push the narrative that inflation is cause for worry. Meanwhile, employment numbers have been surprisingly soft as many workers lack incentive to work and companies struggle to find workers. Unemployment actually increased slightly in April despite the ongoing recovery. In markets, value stocks continue to outperform growth stocks both at home and abroad.

Table 1: Benchmark Index Performance as of May 31, 2021

Benchmark Index	1 Mo	YTD	12 Mo	5 Yr Ann
U.S. Stocks	0.5%	12.4%	44.1%	17.4%
International Stocks	3.1%	10.7%	43.5%	11.0%
U.S. Bonds	0.2%	-2.5%	-0.7%	3.2%
U.S. Real Estate	0.8%	18.3%	34.1%	7.9%

Table 2: Vanguard Asset Allocation Benchmarks as of May 31, 2021

Vanguard Fund: % Stock/% Bond mix	1 Mo	YTD	12 Mo	5 Yr Ann
LifeStrategy Growth Fund: 80/20	1.3%	8.6%	33.7%	12.5%
LifeStrategy Moderate Growth Fund: 60/40	1.0%	5.8%	24.4%	10.3%
LifeStrategy Conservative Growth Fund: 40/60	0.7%	3.0%	15.8%	8.0%
LifeStrategy Income Fund 20/80	0.5%	0.2%	7.5%	5.6%

Chart 1: Year-to-Date Market Index Performance as of May 31, 2021

