

June 2021 Market Update

U.S. Stocks picked up 2.5% in June for a total year-to-date gain of 15.2%. International stocks lagged, losing 0.3% for a YTD gain of 10.3%. Bonds had a good month, up 0.8% although still down 1.7% YTD and real estate had another good month, up 2.6% to lead the pack with 21.4% gains YTD.

The Federal Reserve released an updated dot-plot in mid-June signaling 2 interest rate hikes by the end of 2023. The Fed action initiated a flattening of the yield curve with intermediate Treasuries higher (2 year from 0.15% to 0.25%) and long Treasuries lower (10-year from 1.60% to 1.45%). A reduction in long-term inflation expectations also pushed long yields lower. Stocks initially dipped on the Fed news but then rallied through the rest of June to post fresh all-time highs on the last day of the month.

Investors today are faced with unusually high prices across a broad range of financial assets. Those high asset prices are great for historical returns but they also promise reduced returns in the future. Investors need to avoid the tendency to believe that current historical returns will last in the future.

Table 1: Benchmark Index Performance as of June 30, 2021

Benchmark Index	1 Mo	YTD	12 Mo	5 Yr Ann
U.S. Stocks	2.5%	15.2%	45.0%	17.9%
International Stocks	-0.3%	10.3%	37.2%	11.1%
U.S. Bonds	0.8%	-1.7%	-0.5%	2.9%
U.S. Real Estate	2.6%	21.4%	35.7%	7.1%

Table 2: Vanguard Asset Allocation Benchmarks as of June 30, 2021

Vanguard Fund: % Stock/% Bond mix	1 Mo	YTD	12 Mo	5 Yr Ann
LifeStrategy Growth Fund: 80/20	1.2%	9.9%	31.9%	12.8%
LifeStrategy Moderate Growth Fund: 60/40	1.1%	6.9%	23.1%	10.4%
LifeStrategy Conservative Growth Fund: 40/60	1.0%	4.0%	14.9%	7.9%
LifeStrategy Income Fund 20/80	0.8%	1.0%	7.0%	5.4%

Chart 1: Year-to-Date Market Index Performance as of June 30, 2021

