SEPTEMBER 2021 ISSUE

MONARCH INSIDER

Reflection | Understanding | Relevance

Photo by Capstone Events on Unsplash

HOME STRETCH

Out with the old

Last year was confusing as heck! People's emotions were put to the test, but many didn't even have a chance to be worried. The market rebounded so quickly, so fast, that many forgot about their concerns because they were remedied before they could even start to get uncomfortable. Most of our clients, newsletter subscribers, and podcast followers kept still, looked for opportunities, and calmly watched as the story unfolded and things bounced right back.

We dealt with the oddest of challenges nobody could have seen coming. Toilet paper shortages, paper towel traded as gold, hate crimes, propaganda, confusion, fear, destruction of monuments, riots, violence, isolation, mental health deterioration, and questions about the democracy instilled in our nation's DNA. A perfect storm of sorts in an otherwise "normal" year. 2021 began with some positive data and healthy returns for the stock market and the economy. We were coming off of a booming 2019, prospering times, stock market highs, and the overall optimism across main street and Wallstreet. Global sentiment towards the U.S. was so-so with some of the tariffs in place as well as the exit from the Paris Accord and the sense of national pride and passion for our success. Over the past four years, the position of the U.S. has been different in that it no longer stood for the status quo. The acceptance of intellectual theft, poor trade deals, and treaties plagued with skepticism was no longer going to

WHAT'S INSIDE THIS ISSUE:

- Heading into the finish line
- Interest Rates
- Insurance
- Retirement
-

Hindsight is always 2020

MONARCH WEALTH
MANAGEMENT

Photo by Markus Spiske on Unsplash

Stocks are on the move so which neighborhoods do we see them moving to and why?

MONARCH WEALTH
MANAGEMENT

remain in place by default. Every facet of this country's socio-political and global economic relations was put into question. There was no longer this stay the course, remain on cruise control as has been done with previous administrations. Despite the worldwide pandemic, a tumultuous election, and some looming concerns, the market eeked out a very handsome return for those who didn't deviate from their long-term goals.

NEW KID ON THE BLOCK

Agenda Shift

The new administration has a very different focus than that of President Trump. One that will promote clean energy, more stimulus, and more government intervention. Certain sectors of energy will be well-positioned to benefit from government support. Without expressing political opinions, we intend to use this focus as a way to harness the areas that can benefit from these changes.

All changes of power unlock opportunity and it's our position to identify those and leverage them to our client's advantage. Areas of the market that have poise right now are financials, industrials, energy, and healthcare. There are others and we intend to make light of these. Identifying the sector alone doesn't do enough to realize the benefit unless you dig a little deeper into the stock and portfolio selection.

There are tweaks we have made and more to come as the market trends change over time. We have an accommodative federal reserve with a very good understanding of the market, economy, and how closely linked they can be. Interest rates have been a tool aiding our recovery and every time rates rise, it calls for trouble in certain segments of the market. We have taken note of the shift from the larger, high multiple growth stocks being sold off and moving to a more valued-oriented neighborhood near you. Investing in value stocks has not fared well in recent years, but all that could be changing as we reset valuations and return to the world as we knew it before. A low rate environment and a long trajectory for them to rise does inherently levitate the potential of the value stocks.

Our thoughts on the bond front (formerly known as investors safe-haven) are to tread that space very carefully. Like stocks, fixed-income instruments are not treated equally. We lean on the debt market to give us indications on which sectors of the stock market look promising and those that scream "Danger"! Our allocations to fixed income have been lower than traditionally over the past decade because of the low rate environment and opportunity cost. We have discussed the "ACTUAL COST" of diversifying in the blog and Podcast and we remain in the same situation for the time being.

DEFEND YOURSELF

You're Not Helpless

Cybercrimes are here to stay and at some point in our lives, we'll all be exposed to some form of it. That doesn't mean you're defenseless again these cowards; it just means you may have to take a few additional steps to help safeguard yourself. Besides the obvious tips of cautiously clicking on links, suspicious emails, and even text messages, there are some additional things you can do to help protect yourself. Right now you're waiting for the pitch on why you should subscribe to companies that can provide insurance coverage, dark web searches exposing a potential breach, and others; but you won't get that from us. There are some things you can actually do right now to help contain your vulnerability and get this - they're FREE!

What do I recommend you do right now? Freeze your credit immediately! Can this be a pain when you're going to apply for a new car or home? Of course, it can be an extra step, but a little bit of frustration is well worth it if you ever become part of a bigger plot to steal your identity and your assets. How to go about it? Take a look below for the sites on how to get you started protecting yourself and your credit right now:

- Equifax: https://www.equifax.com/personal/credit-report-services/credit-freeze/
- Transunion: https://www.transunion.com/credit-freeze
- Innovis: https://www.innovis.com/securityFreeze/index
- Experian: https://www.experian.com/freeze/center.html

Photo by Artem Beliaikin on Unsplash

SELL AND STAY PUT

Sell in May and....

"Sell in May and Go Away" was an old adage used to advise clients to sell their portfolios during this time. We wrote about this very topic in an Early May 2021 "Financial Model" blog post. So now that we're a few months beyond that post, do we feel any different? Of course not. If you're a client of ours and have been investing with us a while you know we don't play short-term market bets or chase returns.

Does evidence exist that aligns with this thesis? It does - well, sort of. If you look at stats going back to the '50s, that was very much the case. That has not necessarily held up since 2013. Market timing can sting and if you get it wrong when you sell at a low and buy back in at a high, you'll be inflicting unbearable pain on your long-term investments. We've seen this happen in recent years and we certainly don't want any of our clients to fall victim to this easily avoidable mistake.

People have claimed that most Hedge-Fund managers take off from May - October to enjoy some downtime from stress and take those typically warmer months to travel and lay low. The one thing to note is access to trading platforms and how the markets have evolved. We can all pretty much trade and react within minutes if not, seconds, of getting news about market movers. That was all changed with smartphones and the apps that have leveled the playing field. With that logic, what might we expect for this period, and what's happening right now? We have discussed the rotation out of tech and into value for months now on our PennyWise Financial Podcast. We continue to see this theme play out and it does not appear that the shift will end anytime soon. European markets appear to be weak and the virus is still a major headwind for those economies. We view the European markets and International to be behind the U.S. markets by about 6 months or more.

Print baby, Print! That has been happening for a while now and the government seems to be ramping up the distribution of funds with programs to help. Everyone agrees on the need for programs to exist, but how and why they hand over greenbacks is something left for discussion. Inflation should be one of the primary risks

MONARCH WEALTH MANAGEMENT

for investors right now. It is also the primary risk to bondholders. That's right, the people who wanted safety and didn't want to invest in the stock market could have some challenging times ahead. Some other factors to include in your portfolio allocation is the looming tax legislation proposals for a corporate tax hike, capital gains tax, and estate taxes. Value stocks are trading at a lower multiple than the high-flying large tech companies which makes them much cheaper and more attractive. Where are managers getting the cash to buy these value names? In your portfolio! They are looking to peel back some of the gains in the tech sector, lock in profits and look for the next big score.

At the end of the day, we consider all these types of considerations to be valid, except the adage to rip all your money out of your investments to sit in cash. Stocks and the stock market don't pay attention to calendars, year-to-date returns, or any other correlation we try to formulate to use as the rationale. Earnings, market conditions, sentiment, employment, interest rates, GDP, legislation, and other factors are real metrics to use when analyzing your investments. We don't follow the "Sell in May and Go Away" strategy as we view this as baseless and a matter of coincidence. We're not believers and we don't think you should be either.

Another question we'll want to know is when we'll be responsible to help pay for the economic relief programs. Interest rates are at the lowest we may see over our lifetimes and that doesn't appear to be changing anytime soon, but there will come a day when inflation will appear.

Some of the portfolio changes we've implemented this year have taken those factors into consideration. Commodities, options, hedge funds, precious metals, and other various investment instruments are readily available and utilized on the LPL platform. Although available, they aren't used for every client and every situation. Knowing and understanding the benefits, drawbacks, fees & expenses are only part of the consideration. There are tons of ways to invest in this area so having an advisor guide you can make a world of difference. We always recommend weighing out the options and being certain that you truly understand the risk versus reward on any investment.

Listen, Share and Subscribe to the PennyWise Financial Podcast on your favorite platform

NEW TECH BUNDLE

if you haven't checked in a while we've added a ton of things to help give you access to your investments, performance, our strategy, and a ton of other insight. Some of the things that we've been adding over the years include the following:

- PennyWise Financial Podcast
- The "Financial Model" Blog
- The "Roch Bottom" Technical Analysis
- A Mobile App
- Texting

If you'd like to learn more about any of the new happenings at the firm, reach out and we'll walk you through it all.

Rochester & Brockport: 585.484.1400 | Williamsville: 716-250-2888 | Buffalo: 716.836.0483
www.monarchwealthmanagement.com | info@monarchwealthmanagement.com