



Stocks dropped amid rising long-term bond yields, with sharp declines in high-valuation growth stocks leading the overall market lower.

The Dow Jones Industrial Average slipped 1.78%, while the Standard & Poor's 500 declined 2.45%. The Nasdaq Composite index, home to many high-valuation growth plays, fell 4.92% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, edged up 0.37%.^{1,2,3}

Market Insights

Rising Rates Derail Stocks

The 10-year Treasury yield climbed last week, from 1.34% to 1.42%, sending shudders through the stock market. While investors generally understand that economic strength may lead to higher bond yields, it was the speed at which bond yields rose that proved unsettling. Generally, when yields rise, bond prices tend to fall.⁴

Rising yields also drove sector rotations, with economic reopening stocks (e.g., energy, financials, and industrials) outperforming stay-at-home stocks, especially many of the big technology names.

The trend of higher yields was mitigated by testimony on Tuesday and Wednesday by Fed Chair Jerome Powell. He provided some assurances that the Fed remained committed to its current easy money policy stance.⁵

A surge in yields on Thursday, however, sparked a new wave of anxiety and a broad retreat that left market averages lower for the week.

Powell Testimony Calms Investors

Concerns over rising long-term bond yields and inflationary pressures were eased by two days of testimony by Fed Chair Powell. Powell reiterated the Fed's intention to stick with its near-zero short-term interest rate policy and monthly bond purchase program until the labor market fully recovers and its inflation goals are met.

Powell dismissed market fears of accelerating inflation, noting that he did not see inflation reaching any troubling levels, declaring that any increase would be modest and transitory. He added that the Fed would likely allow inflation to spend some time above its 2% target rate. Inflation for the past eight years straight has been below that target.⁵

This Week: Key Economic Data

Monday: Institute for Supply Management (ISM) Manufacturing Index.
Wednesday: Automated Data Processing (ADP) Employment Report. Institute for Supply Management (ISM) Services Index.
Thursday: Jobless Claims. Factory Orders.
Friday: Employment Situation Report.

Source: Econoday, February 26, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

This Week: Companies Reporting Earnings

Monday: Zoom Video Communications, Inc. (ZM).
Tuesday: Target (TGT), Ross Stores, Inc. (ROST).
Wednesday: Okta, Inc. (OKTA), Marvell Technology Group (MRVL), Dollar Tree, Inc. (DLTR).
Thursday: Broadcom, Inc. (AVGO), Costco Wholesale Corp. (COST), Kroger (KR).

Source: Zacks, February 26, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

Food for Thought

"It is good to have an end to journey toward, but it is the journey that matters in the end."

— Ursula K. Le Guin

Tax Tip

4 Facts About Capital Gains

When you sell a capital asset like an investment or a piece of property, the sale can result in a capital gain or loss. The IRS defines a capital asset as "most property you own for personal use or own as an investment." Here are four facts you should keep in mind:

1. A capital gain or loss is the difference between what you originally paid for the asset (your basis) and the amount you get when you sell an asset.
2. You must include all capital gains in your income and you may be subject to the Net Investment Income Tax if your income is above certain amounts. Consult a qualified tax expert for help.
3. The IRS allows you to deduct capital losses on the sale of investment property. You cannot deduct losses on the sale of property that you hold for personal use.
4. If your total net capital loss is more than the limit you can deduct, you can carry it over to next year's tax return.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Tip adapted from IRS.gov⁶

Healthy Living Tip

Finding Inner Peace Inside (and Indoors)

Practiced for thousands of years, yoga has had a revival in the last couple decades. Yoga can be an optimal exercise choice for many individuals of all ages. But before getting started with any fitness regimen, make sure to discuss any medical concerns with your healthcare provider; this information is not a substitute for medical advice.

While there are many different styles of yoga, generally speaking, yoga is a low-impact form of exercise. But in addition to the fitness benefits, it can help you learn relaxation and breathing techniques as well as how to regulate emotions and quiet your mind. It's also a great form of exercise to do indoors, and there are thousands of free classes on YouTube So, if you're still enduring the remnants of winter, you can practice "quieting your inner monologue, doing yoga from the comfort of your own home.

Tip adapted from Healthline.com⁷

Weekly Riddle

A woman walking along a canal sees a boat full of people, yet there isn't a single person on board. How could this be?

Last week's riddle: What appears once in a minute, twice in a moment, but never in a decade? Answer: The letter M.

Photo of the Week



Elephants at sunrise near Mt. Kilimanjaro, Tanzania.

Footnotes and Sources

1. The Wall Street Journal, February 26, 2021
2. The Wall Street Journal, February 26, 2021
3. The Wall Street Journal, February 26, 2021
4. U.S. Department of the Treasury, February 26, 2021
5. The Wall Street Journal, February 24, 2021
6. IRS.gov, October 14, 2020
7. Healthline.com, September 23, 2020

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

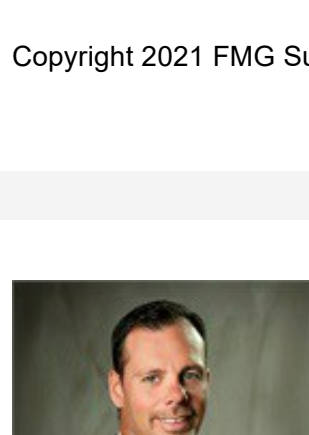
U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

This content is developed from sources believed to be providing accurate information. The information in this material is not intended as tax or legal advice. Please consult legal or tax professionals for specific information regarding your individual situation. This material was developed and produced by FMG Suite to provide information on a topic that may be of interest. FMG is not affiliated with the named representative, financial professional, Registered Investment Advisor, Broker-Dealer, nor state- or SEC-registered investment advisory firm. The opinions expressed and material provided are for general information, and they should not be considered a solicitation for the purchase or sale of any security.

Copyright 2021 FMG Suite.



Brad Connors
info@iWealth4me.com
(507) 835-9111
iWealth
<http://www.iWealth4me.com/>

