Third Quarter 2021 Key Takeaways

The Delta variant took its toll on markets and slowed the global equity market advance. The S&P 500 was up just 0.6%, MSCI EAFE was down 0.4%, and EM stocks declined 8.1%. The spread of the highly contagious Delta variant during the summer led to an unfortunate upsurge in daily new cases, hospitalizations, and deaths.

The culprit behind EM stocks' poor recent showing is China. The MSCI China Index was by far the worst-performing stock market in the third quarter, down 18.2%.

Within the broad U.S. market, growth stocks beat value stocks for the second straight quarter and smaller-company stocks (Russell 2000 Index) dropped 4.4%.

Our balanced portfolios slightly underperformed their benchmarks for the quarter. The biggest detractor was our exposure to U.S. "early-growth" stocks and emerging market stocks.

The U.S. economy is now facing a fiscal drag—a negative impact on GDP growth—from the expiration of pandemic spending and support programs, which had boosted growth over the past several quarters.

The Federal Reserve Open Market Committee (FOMC) announced it is likely to begin tapering its $120 billion monthly quantitative easing (QE) asset purchases starting in November, with an objective of concluding the process and ending QE "around the middle of next year."

The FOMC also produced their quarterly economic and interest rate projections. These revealed a modestly hawkish (= concerned about inflation) shift compared to last quarter's meeting. However, monetary policy will likely remain accommodative and broadly supportive of financial asset valuations, but increasingly *less so* over time.

Although global and U.S. economic growth rates slowed in the third quarter, they are still solidly above trend, and the near-term (6– to 12-month) risk of recession remains low, absent the always-present possibility of an exogenous shock.

The U.S. economy appears to still have significant slack and excess capacity (e.g., employment is still 5 million jobs below the pre-pandemic level), *minimizing the risk of significant, sustained, and broad-based inflation.*

Earnings growth should therefore be the primary driver of U.S. equity returns. With U.S. equity valuations already near all-time highs, I see little room for valuation expansion.

During the previous quarter I made no *allocation* changes to our portfolios but did swap out our long-held Invesco Developing Market fund with the PGIM Jennison Emerging Market Equity Opportunities fund.

I expect international and EM stock markets to outperform the S&P 500 over the next 5- to 10-year period, due to their higher beta (or sensitivity) to global growth, their larger potential for earnings acceleration, and their lower valuation starting point relative to U.S. equities.

Third Quarter Market Recap

A September slump pressed pause on the global equity bull market. The S&P 500 Index dropped 4.7% for the month, developed international equities (MSCI EAFE Index) fell 2.9%, and emerging-market (EM) stocks (MSCI EM Index) dropped 4.0%. For the third quarter, the S&P 500 was up just 0.6%, MSCI EAFE was down 0.4%, and EM stocks declined 8.1%. For the year to date, the S&P 500 is up an impressive 15.9%, MSCI EAFE is up 8.3%, and the MSCI EM Index is down 1.2%.

The culprit behind EM stocks' poor recent showing is China. The MSCI China Index was by far the worst-performing stock market in the third quarter, down 18.2%. For the year to date it is down 16.7%. (More on this below.) Chinese stocks comprise roughly 35% of the EM equity index.

Meanwhile, within the broad U.S. market, smaller-company stocks (Russell 2000 Index) dropped 4.4%, and growth stocks beat value stocks for the second straight quarter. The financial sector was the top performer, but the energy, industrials, and materials sectors (all cyclically sensitive) were in the red. These style, sector, and factor performances reflect a somewhat more risk-averse investor mindset, consistent with the COVID-19-related economic growth slowdown during the quarter.

In the bond markets, the benchmark 10-year Treasury yield ended the quarter just a bit above where it began, at 1.53%. But it was a roller-coaster ride, with the yield plunging below 1.2% in early August, and then shooting back up in the last two weeks of September. For the quarter, the core bond index return was essentially flat, up 0.1% (Bloomberg U.S. Aggregate Bond Index). Credit-sensitive bond segments outperformed core bonds, with the high-yield bond index gaining 0.9% and the floating-rate loan index up 1.1% (the ICE B of A ML U.S. High Yield Cash Pay Index and the S&P/LSTA Leveraged Loan Index, respectively). For the year to date, core bonds are down 1.6%, while high-yield bonds and floating-rate loans are up 4.6% and 4.4%, respectively.

Looking ahead to the rest of the year, as usual I won't make any market predictions. I'll only note that the fourth quarter is historically the strongest seasonal period for stocks. For example, according to Ned Davis Research (NDR), since 1970 the median fourth quarter return for the MSCI World Index is 4.4%, and it has registered a positive return for the quarter more than 75% of the time.

Portfolio Performance & Key Performance Drivers

Our balanced portfolios slightly underperformed their benchmarks for the third quarter. The biggest detractor was our exposure to two sputtering areas of the global markets: 1. U.S. "early-growth" stocks (through the ARK Innovation ETF), which badly underperformed its mid-cap growth benchmark, losing 15.5% for the quarter versus the benchmark's 0.9% decline; 2. Emerging market stocks were another detractor, significantly underperforming other equity markets. On the positive side, our small company growth fund, the Conestoga SMid Cap fund considerably outperformed its benchmark, gaining 3.6% for the quarter, versus a 5.7% decline in the small-cap growth benchmark.

In the rest of this commentary, I'll walk through three key elements of the U.S. and global macro backdrop: (1) COVID-19, (2) U.S. economic policy, and (3) growth and inflation. I'll then turn to how these and other factors inform my current outlook for the financial markets. I'll recap our portfolio positioning and performance expectations and conclude with an update of my views on EM equities and China in light of the recent market headlines and regulatory developments there.

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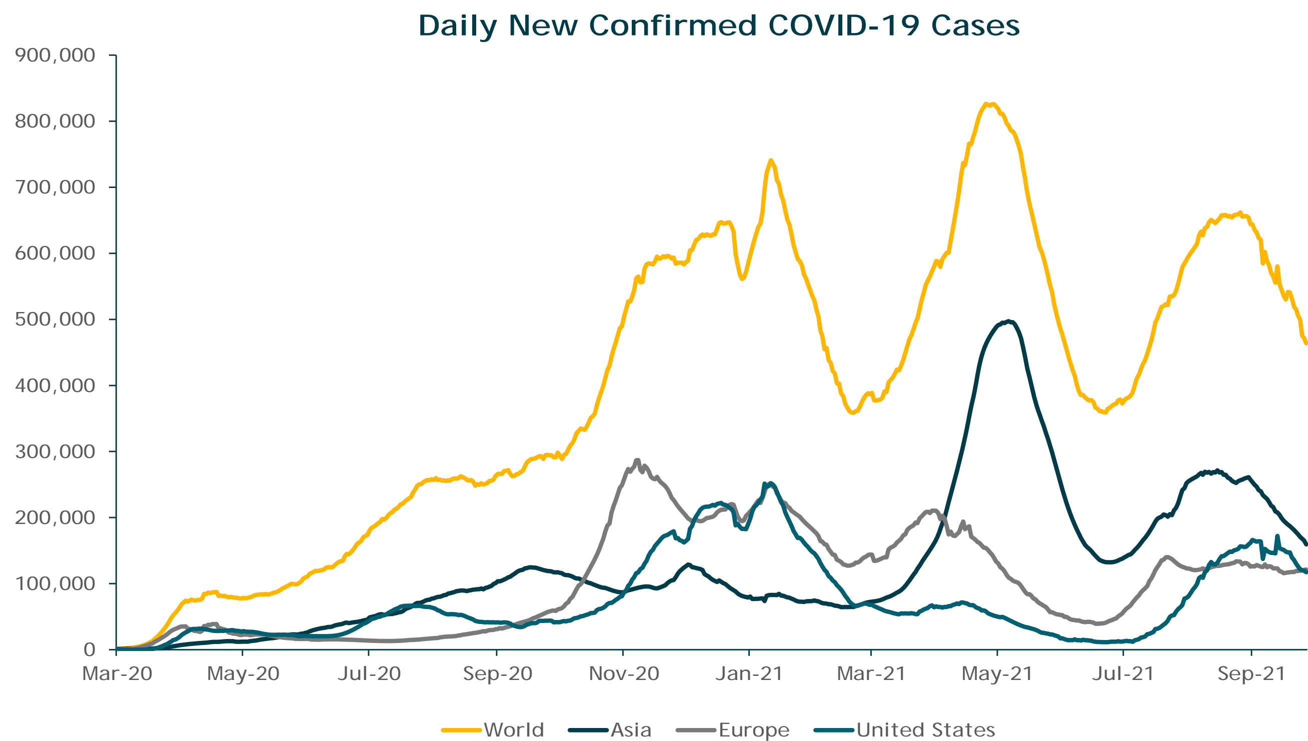
The Macro Backdrop

COVID-19:

The spread of the highly contagious Delta variant during the summer led to an unfortunate upsurge in daily new cases, hospitalizations, and deaths. However, on the positive side, this fourth wave appears to have peaked globally and is subsiding. Given the ongoing rollout of effective vaccinations—at a rate of ~30 million per day, with more than 6 billion total shots given—and rising immunity, along with social/behavioral adjustments, it appears that the most likely scenario is for the virus to have a diminishing impact on global economic activity over time.



Source: Our World in Data, Johns Hopkins University CSSE COVID-19 Data. Cases shown as rolling 7-day average. Data as of 9/27/2021.

The conclusion below from a recent McKinsey report regarding the COVID-19 endgame makes sense to me, as non-experts in this field:

> *Our own analysis supports the view of others that the Delta variant has effectively moved overall herd immunity out of reach in most countries for the time being. … A more realistic epidemiological endpoint might arrive not when herd immunity is achieved but when countries are able to control the burden of COVID-19 enough that it can be managed as an endemic disease. [At that point] societies decide—much as they have with respect to influenza and other diseases—that the ongoing burden of disease is low enough that COVID-19 can be managed as a constant threat rather than an exceptional one requiring society-defining interventions.*

The path to get there will not be a smooth one—we are not out of the woods by any means. There remains the risk of new, more contagious and/or more deadly variants. We'll continue to see disparate virus

impacts across countries, economies, and industries. But given the overall positive trend in the fight against COVID-19, I don't expect it to derail the global economic recovery in the coming years.

U.S. economic policy:

There were no major U.S. economic policy surprises during the quarter. On the fiscal policy front, it was mostly business as usual: the usual Washington gridlock, infighting, political posturing, polarization, and dysfunction. It remains to be seen what type of infrastructure spending and tax-hike legislation emerges from Congress in the weeks ahead—not to mention whether there is a Treasury default in mid-October due to the federal debt ceiling standoff. (If so, I expect it will be a short-term disruption.) But as I noted last quarter, no matter what fiscal package is ultimately passed, the economy is now facing a fiscal drag—a negative impact on GDP growth—from the expiration of pandemic spending and support programs, which had boosted growth over the past several quarters.

Over the most recent 18 months, our government injected roughly $5.5 trillion into the economy in its effort to combat the economic impact of the pandemic. To put the current "stimulus" talks into perspective, we're looking at somewhere between $1 trillion and $3.5 trillion of stimulus spread out OVER THE NEXT 10 YEARS. Assuming a $2.0 trillion deal is struck, that's $200 billion per year of stimulus for the next 10 years, a figure that pales in comparison to the $5.5 trillion spent in the last 18 months.

On the monetary policy front, the Federal Reserve Open Market Committee (FOMC) announced at its September quarterly meeting it is likely to begin tapering its $120 billion monthly quantitative easing (QE) asset purchases starting in November, with an objective of concluding the process and ending QE "around the middle of next year," according to Fed chair Jerome Powell. This was broadly in line with market consensus expectations.

In addition to the tapering news, the FOMC produced their quarterly economic and interest rate projections. These revealed a modestly hawkish (= concerned about inflation) shift compared to last quarter's meeting. Nine of the 18 FOMC participants now expect to start raising interest rates by the end of 2022, compared to just seven at the June meeting. The median FOMC member also expects an additional three federal funds rate hikes in 2023 and three more in 2024. This would bring the target fed funds rate to 1.75% by the end of 2024. (It reached a post–financial crisis peak of 2.25% in July 2019.) However, it's important to remember that *the FOMC rate projections—the "dot plots"—have never been an accurate forecast of the Fed's actual interest rate moves several years out.* As I've often said, no one, not even the Fed itself, knows what the Fed will actually do two or three years from now.

Having said that, and without needing to *precisely* predict interest rates, I think the odds are high that short-term rates will rise but still remain low by historical standards and also below the rate of inflation for several more years. That is to say, monetary policy will likely remain accommodative and broadly supportive of financial asset valuations, but increasingly *less so* over time.

Economic Conditions: Growth and Inflation

The FOMC's updated forecasts for growth and inflation reflect the evolving economic consensus. The Fed sharply lowered its median GDP growth forecast for 2021 to 5.9%, from 7.0% in June, a function of the Delta-driven growth slowdown during the summer and ongoing production shortages and supply-chain bottlenecks (e.g., semiconductor and shipping container shortages).

But although global and U.S. economic growth rates slowed in the third quarter, they are still solidly above trend, and the near-term (6– to 12-month) risk of recession remains low, absent the always-present possibility of an exogenous shock (e.g., geopolitical conflict, massive cyber-attack, global pandemic, etc.)

Global Purchasing Manager Index (PMI) charts reflect the *deceleration* in global growth since May—particularly for the Services sector, which was harder hit by the delta variant this summer. Importantly, however, the PMIs remain in “expansion” territory, with readings above 50.

Business activity in the United States also slowed sharply over the summer, with the U.S. Composite PMI sliding to 54.5, its lowest level in a year. As was the case globally, U.S. services and manufacturing activity continued to grow, but at a slower *rate*. As I’ll discuss later, this type of growth deceleration typically portends weaker stock market performance.

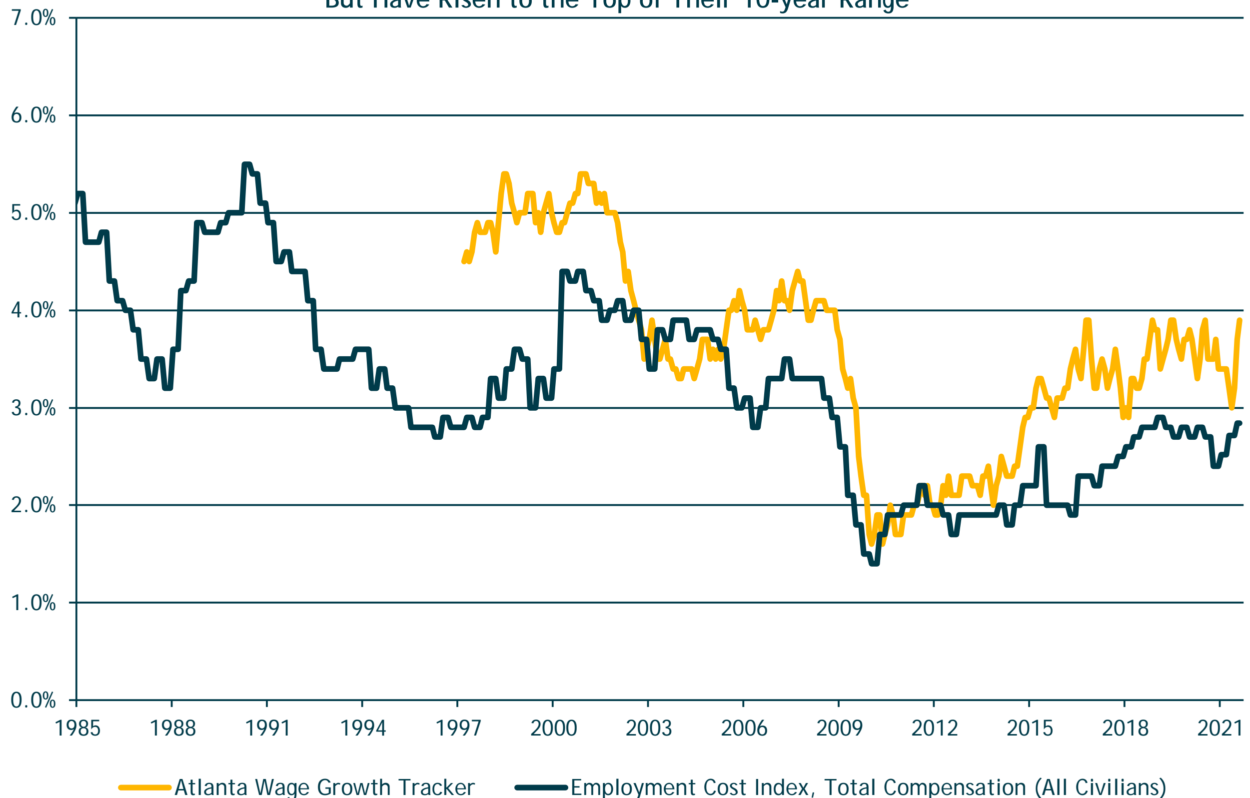
Meanwhile, along with reducing its 2021 growth forecast the FOMC sharply increased its median core inflation forecast for this year to 3.7%, up from 3.0% in June, pointing to ongoing supply-side disruptions (e.g., new car prices continue to rise). The Fed also slightly boosted its projections for core inflation in 2022 and 2023.

I provided an in-depth update of my view on inflation in my second quarter 2021 commentary and won’t rehash all those points here. Since June, the inflation data have continued to give mixed messages. The “transitory vs. sustained high inflation” debate remains unresolved. I am still in the “mostly transitory but higher than 2% inflation” camp.

My base-case view is that the U.S. economy appears to still have significant slack and excess capacity (e.g., employment is still 5 million jobs below the pre-pandemic level), *minimizing the risk of significant, sustained, and broad-based inflation.* I don’t yet see the breeding ground for the type of self-reinforcing wage-price spiral necessary to generate sustained high inflation rates. But again, there are crosscurrents in the recent data and my view will continue to evolve with the data.

For example, while key measures of wage inflation remain within a normal historical range, they *have* increased over the past few months. The same is true for some key measures of inflation expectations, and also for the Fed’s median and trimmed-mean measures of core inflation. Shelter prices (measured by the government as rent and “owner’s equivalent rent”) account for roughly 40% of core CPI and are now on the upswing following the sharp, sustained rise in national home prices, which have surged a record 19% in the past twelve months.

On the other hand, August’s CPI inflation numbers came in below consensus expectations. (Month-over month core CPI rose just 0.1%.) And the majority of recent inflation increases still look to be driven primarily by pandemic-related supply and demand shocks that should continue to normalize over the next year, assuming the pandemic comes further under control. I also give some credence to Powell’s (and other Fed governors’) statements that the Fed will act to tighten policy if core inflation stays elevated and/or medium- to longer-term inflation expectations become unanchored. But that remains to be seen.



Source: Federal Reserve Bank of Atlanta and Bureau of Labor Statistics. Data as of 8/31/2021.

Financial Market Outlook

Moving from the economy to the markets, over the next 12–24 months or so I see the strongest likelihood for continued positive returns for equity and credit markets (and "risk assets" in general), driven by continued economic and corporate earnings growth—albeit *decelerating* in the United States—and supported by still-accommodative monetary and fiscal policy—albeit *less so* in the United States.

This macro backdrop also suggests 10-year Treasury yields are likely to rise—although I don't expect a sharp increase, which means a poor environment for core bond returns, both in absolute terms and relative to other asset classes and alternative strategies.

Further, I expect international and EM stock markets to outperform the S&P 500, due to their higher beta (or sensitivity) to global growth, their larger potential for earnings acceleration (and positive earnings surprises) from still sub-par levels that have lagged the U.S. recovery, and their much lower starting equity market valuations. Therefore, I see potential for strong returns from both a cyclical-earnings rebound and increased valuations (price-to-earnings multiples) in foreign stock markets over the coming years.

For the U.S. market, with valuations already near all-time highs, I see little room for valuation expansion. Earnings growth should therefore be the primary driver of U.S. equity returns. But as I discuss next, the U.S. market is also facing some near-term risks that could lead to a market correction (a roughly 10% market decline), but unlikely a bear market (20%+ decline).

Reasons for near-term caution on U.S. stocks…

Growth Scare

I noted above that economic growth momentum in the United States and abroad decelerated in the third quarter. While some slowdown was to be expected coming off the extremely strong second quarter, the recent economic news has been generally worse than the consensus expected. As the following chart from Ned Davis Research shows, negative economic surprises are typically negative for stock market returns.

S&P 500 Index vs. Citigroup U.S. Economic Surprise Index

Daily Data 2003-01-13 to 2021-09-27

S&P 500 Index (2021-09-27 = 4,443.11)

3,981 3,162 2,512 1,995 1,585 1,259 1,000 794 631

Source: S&P Dow Jones Indices

Citigroup U.S. Economic Surprise Index (8-Day Smoothing) (2021-09-27 = -34.98)

200 150 100 50 0 -50 -100 -150

Source: Haver Analytics

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Citigroup Economic Surprise Index for the US measures how much data from the past three months is beating or missing median estimates in Bloomberg surveys.

S&P 500 Index Performance

Full History: 2003-01-13 to 2021-09-27

U.S. Economic Surprise Index is	% Gain/ Annum	% of Time
Above 22.0	12.66	34.16
-16.0 - 22.0	8.99	34.31
Below -16.0	4.38	31.53

Buy/Hold = 8.74% Gain/Annum

DAVIS183

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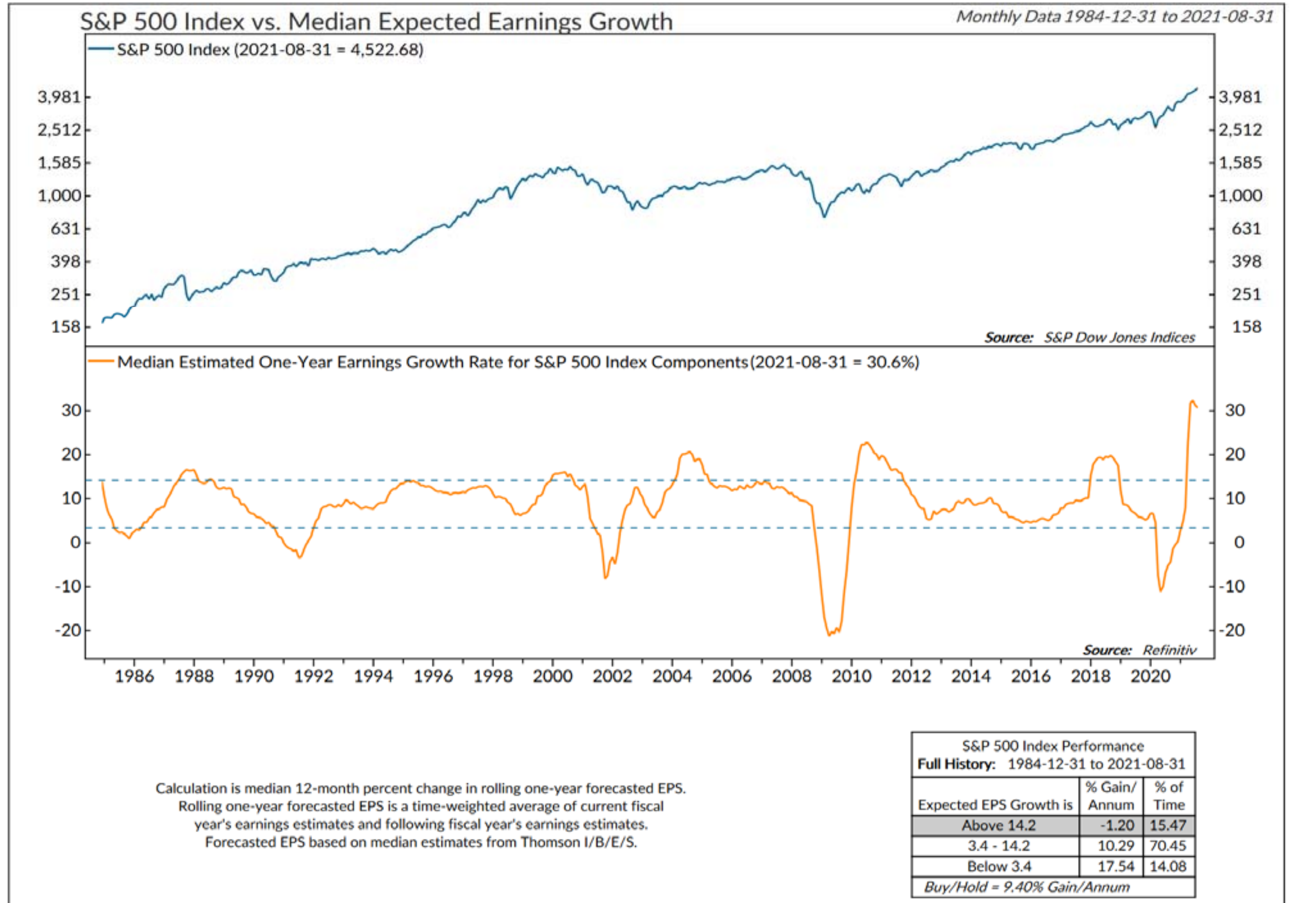
To summarize, for the time period covering 2003 to 2021, during periods of elevated *negative* economic surprise, the S & P 500 index has returned 4.38% per year; during periods of *average* economic surprise, the index has returned 8.99% per year; and during periods elevated *positive* economic surprise, the index has returned 12.66%. At the moment, the index is at negative 50 and firmly in the negative, suggesting muted returns for the U.S. stock market.

So far this year, U.S. stock markets have remained resilient in the face of these disappointments. However, there comes a point where equity and other risk asset markets can no longer shrug off bad fundamental news. And this risk is heightened when growth expectations—and the valuations that reflect those expectations—are high. Put differently, the higher the expectations/valuations, the bigger the downside risk if those expectations are not met.

Throughout 2021, S&P 500 earnings repeatedly and spectacularly beat consensus expectations, driving the U.S. market index to one new high after another. But as is the nature of human behavior and financial market cycles, excessive (earnings) optimism ultimately sets the stage for (stock market) disappointment, as the following NDR chart shows.



S&P 500 Index Performance
Full History: 1984-12-31 to 2021-08-31

Expected EPS Growth is	% Gain/ Annum	% of Time
Above 14.2	-1.20	15.47
3.4 - 14.2	10.29	70.45
Below 3.4	17.54	14.08

Buy/Hold = 9.40% Gain/Annum

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There are any number of potential negative catalysts right now, although some are lower probability in my view than others. Some examples:

- There is a COVID-19 resurgence during the winter months that leads to reduced economic activity and investor pessimism/risk aversion.

- The fiscal growth drag from the expiration of pandemic support programs is more severe than expected.
- Washington political gridlock prevents passage of additional infrastructure spending that the market is already expecting.

- Corporate tax rate hikes are larger than expected and/or have a bigger impact on earnings than currently expected.

- A federal debt ceiling/Treasury default debacle causing a short-term but severe disruption.
- Systemic contagion from a China Evergrande debt default. Even absent an Evergrande contagion crisis, there could be a hit to China's economic growth—and therefore global growth—due to China's clampdown on the private sector in its effort to promote "shared prosperity."

Inflation Scare

A second type of market risk stems from an inflation shock. If incoming inflation data (e.g., wages, core inflation metrics, inflation expectations) strongly support the "non-transitory high inflation" argument, the market and Fed are likely to respond by pushing interest rates meaningfully higher. This would likely hurt investor sentiment and hit valuation multiples, particularly for the long-duration high-growth stocks that have been the primary beneficiary of the recent period of exceptionally low yields and low inflation, (e.g., the FAANG stocks, short for Facebook, Apple, Amazon, Netflix, and Google/Alphabet). Cyclical and value stocks could perform relatively well in this environment, but the tech-heavy S&P 500 would likely not.

It is also possible the Fed's policy tightening response to an inflation scare would be so severe as to push the economy into recession. (Fed tightening cycles have historically been the primary catalyst for recessions. And most bear markets are associated with recessions.) This is the argument many Fed critics have been making: By already waiting too long to start tightening monetary policy, the Fed is brewing inflationary pressures and financial imbalances that will ultimately require an extremely aggressive tightening response, pushing the economy into a deeper recession than otherwise would have been the case.

But barring a recession, and given my base case that this global economic cycle still has legs, I would expect tighter-than-expected Fed policy to cause at worst a stock market correction—setting the stage for a further market rally rather than a full-on bear market.

Emerging Markets & China

With China's economy and financial markets in the headlines recently (e.g., the large property developer Evergrande's looming default), and EM stocks' strong performance earlier in the year having reversed, I wanted to provide a more in-depth update of my views on this important asset class.

I believe emerging markets broadly, and China specifically, offer unique risks and opportunities and will be an important diversifier and return-generator for client portfolios *over the long term*. BCA Flexible portfolio allocations to emerging market equities range between 0% for our most conservatively-managed portfolio, to 15% for our most aggressively-managed portfolio, and exposure to China specifically ranges from 20% to 35% of those totals at any given time. So, exposure to China will typically fall between 0% and 5% of the entire portfolio, depending on the portfolio's level of risk. Viewed from this overall perspective, I'm quite comfortable with our exposure to emerging market equities and Chinese equities specifically.

That said, emerging market economies are facing some very real challenges, which they will need to navigate for investment gains to materialize in this sector: 1. Emerging market countries have been slower to vaccinate their citizens than has the developed world, and as a result their economies have been slower to return to pre-pandemic GDP growth levels, even while the US and Europe are expected to reach trendline GDP growth by 2021 year-end, 2. The possibility of rising interest rates will likely be a greater burden on emerging market economies and the EM-based companies that finance their operations with dollar-denominated debt, 3. The possibility of a slowing Chinese economy may disproportionately impact the developing economies, whose trade is primarily with China.

Should these challenges be successfully navigated, the upside for investor returns is significant, but as I see things, a lot depends on the answer to this question: How much further will the Chinese government go in its regulatory quest for "shared prosperity" and its effort to reign in excess debt in their property/housing market, and will their efforts further slow the Chinese economy?

First some background…China's housing/property market accounts for roughly 30% of China's GDP and roughly 60% of household assets (estimates vary). By comparison, only about 25% of U.S. household assets are in property/housing. With this backdrop, one can see that China faces the difficult task of juggling its competing objectives of reducing income inequality and reducing leverage in the system.

On the one hand, deleveraging the property/housing sector too quickly will almost certainly lead to a drop in the value of real estate, and with so much household wealth tied to real estate, China risks *increasing* income inequality if it mismanages deleveraging the system.

On the other hand, if they do nothing about the excess debt in the property/housing sector, they increase systemic risk to their economy (in the event when developers like Evergrande and others default on their debt, which seems likely at this point), and the result could be financial-contagion similar to what we experienced here in 2007. Can China achieve both goals of reducing leverage and income inequality at the same time?

While the answer remains uncertain, at this point the weight of the evidence I've been able to collect suggests it can.

First, the Evergrande debt problem specifically, and the entire property sector deleveraging, seems manageable. The majority of Chinese property developers meet the “three red lines” criteria China has laid out to mitigate systemic risks stemming from excessive property investment and speculation.

However, it is increasingly clear Evergrande and a few others do not meet those red lines and are likely to default. Critically, the Chinese government stands ready to step in to manage and minimize widespread damage from the Evergrande default (an “orderly” default) given it is the majority owner of, and effectively controls, the financial system.

Second, it is unrealistic to believe that this problem or incongruity will be solved overnight. Very likely, China will de-lever the real estate sector slowly, in favor of other sectors it wants to grow and is championing. This is also creating investment opportunities that our active EM fund managers are looking to exploit.

Third, China’s government will be highly motivated to prevent a crisis stemming from a potentially disorderly decline in property prices, given the huge amount of household savings that reside in the property sector.

Of course, the risk is that China is not able to manage this balance well and cause a major financial crisis, a risk I worry about and do not ignore, despite my relatively optimistic view. Still, I believe the recent regulatory and property sector–related actions will lower systemic risk and likely result in a more sustainable growth path for China. While there may be a hit to the long-term earnings power of some consumer-facing e-commerce companies, our fund managers believe it will not be material. Meanwhile, the stock prices of these companies have already taken a big hit.

Portfolio Positioning

During the previous quarter I made no allocation changes to our portfolios but did swap out our long-held Invesco Developing Market fund with the PGIM Jennison Emerging Market Equity Opportunities fund. I won’t repeat my previously stated reasons for the change, except to say that the PGIM fund should do well if I’m correct about a shift in leadership from U.S. to EM/International stocks.

Our portfolios remain well-diversified and balanced across a range of global asset classes, risk factor exposures, and investment strategies, each of which has different expected performance depending on the macro and market environment that unfolds.

I believe the portfolios are well positioned to generate relatively strong returns in my most likely base-case scenario of a continued global economic recovery with moderately rising interest rates, inflation, and decelerating growth in the United States. But our balanced portfolios should also prove resilient in the event a growth scare or inflation scare scenario (as discussed above) should come to pass.

Overall, our moderate balanced portfolios have (1) a small overweight to emerging market equities, (2) a large underweight to core bonds in favor of bond-alternative strategies, (3) a small overweight to U.S. cyclical (value) stocks relative to growth stocks.

I see the potential for value and cyclical stocks to strongly rebound (again) as COVID-19 recedes and inflation and interest rates rise. And after an unusually long and severe period of underperformance versus growth stocks, value stocks, in aggregate, look *particularly* cheap versus growth.

Over my five-year horizon, I estimate base-case returns in the mid to high single digits, with lower returns for U.S. stocks and bonds and higher returns for EM stocks.

Closing Thoughts

My base case for the next several years remains relatively sanguine, as I expect the economic and earnings growth cycle, interest rates, and government policy to remain broadly supportive of equities and other risk-asset markets. However, my analysis also suggests we should be prepared for an extended period of lower absolute investment returns—certainly, much lower for U.S. stock and core bond market indexes than the last five to 10 years. (The S&P 500 has gained 17% annualized over the past 10 years and core bonds are up 3% annualized.)

Absent significant further U.S. equity valuation expansion (higher price-to-earnings multiples), from already *near-record-high* levels, double-digit U.S. market annualized returns are extremely unlikely. Record-low bond yields and above-trend earnings growth (driven by mega-cap tech/Internet leaders) have driven strong returns but mathematically and economically, that is extremely unlikely, if not impossible, to repeat over the next five to 10 years, given where we are starting from in terms of yields, profit margins, and earnings growth.

Nevertheless, in my medium-term "upside" scenario I estimate still-attractive upper-single-digit returns for U.S. stocks. And in my base case, while their absolute returns are uninspiring, I expect U.S. stock returns to be more attractive than core bonds. As a result, balanced portfolios are only modestly underweight to U.S. stocks.

Meanwhile, expected returns for non-U.S. equities—EM equities in particular—remain attractive, which is the primary reason for their overweight position. But as we experienced with EM stocks in the third quarter, equity investors should be prepared for a bumpy ride.

As always, I thank you for your trust, and welcome questions you may have about the investment landscape or your portfolio.

Best,

Kelly D. Kane, ChFC, CFP©