

MARKET COMMENTARY – September 1, 2021

Damn the torpedoes! Full speed ahead! ~ Admiral David Farragut

By 1864 the Confederate States of America had only two ports yet open. The rest had been successfully shuttered during the three-year Yankee blockade. Southern-born, yet fiercely loyal to the Constitution and Union, David Farragut was tasked with taking out one of those remaining seaports – Mobile, Alabama.

Just a pair of slim gaps provided access to the 400 square mile Mobile Bay from the Gulf of Mexico. To make it narrower still, the Confederates built forts at strategic locations. Then they filled the entrances to the bay with what we would call contact mines. They dubbed them torpedoes. These floating barrels of explosives meant that the only true corridor to enter the bay was directly below the prickling guns of Fort Morgan.

At dawn the Northern fleet made its move through the narrows, attempting to thread the needle. Four cutting edge ironclads traveled in a column just below Fort Morgan to absorb most of the cannon fire from above. In another column on the far side of the ironclads sailed fourteen older, wooden vessels. Farragut made his home on *USS Hartford*, one of the vulnerable wooden ships. And as if that was not dangerous enough, the commander was literally tethered high atop the mainmast of the ship!

Things got off to an ominous start. The first Union ironclad in the near column steered off course. It struck a mine (torpedo) and immediately sank. The Yankees lost heart as they watched their friends and one of the most indestructible vessels in the world slip beneath the waves. Under withering fire from above and with constant unseen danger from below, the various captains considered turning about. They hesitated at point blank range.

That is when David Farragut shrieked the earlier quotation from his fastened position above. By sheer force of will, he drove his fleet on. In minutes, they'd all made it through. The fleet then spread out over the bay, capturing Confederate gunboats. In three more hours of desperate fighting, the last Confederate ironclad surrendered – the name on the last holdout was *CSS Tennessee*, after Farragut's home state.

For his actions in Mobile Bay and many other locations, David Farragut became the first Rear Admiral in United States history. And then, he did himself two better. He was named Vice Admiral (the first in US history). After the war, a grateful Congress and President created the first Full Admiral rank – again, just for Farragut.

Fun story, but why the sea tale?

In August, the market for stocks effectively uttered Admiral Farragut's famous phrase. Well, it might have gone more like this, "Damn the delta! Full speed ahead!"

With cases surging, stock prices tripped in July. Yet, by August the market realized there was little political will to shutter the US economy in the form of lockdowns. And so, with some mask mandates here and some vaccine mandates there, the economy as a whole remained open. Layer in supply constraints and continued monetary and fiscal stimuli, and we retain our outlook for elevated inflation. In fact, depending on which measure one employs, inflation over the past twelve months has been anywhere from 4.2% (measured by the PCE deflator, the highest reading of this metric in 30 years) to as high as 7.8% (measured by the PPI). The average home price is up 15% YTD!

Because of easy money, high government spending, and high demand the stock market has been booming. This can continue for some time. Especially, since the Federal Reserve chairman indicated last week he is in no hurry to raise rates or even initiate a tapering of their bond purchases. Therefore, we are investing our clients' hard-earned money with the expectation of a continuation of firm prices.

However, we have been in this business long enough to know that all is well – until it ain't. Market sentiment and interest rates can shift on a dime, even if the Federal Reserve has not decreed it so. Therefore, we are steadily trimming back stock positions toward their long run targets. It is important to preserve a portion of the gains with such prudent pruning. In some cases, we are moving to lower risk fixed income. In other cases, we are holding a little more cash than normal.

Because we know that the good Admiral could have easily struck a torpedo. We'd like to reserve enough power for the pumps so that no client portfolio ever has to worry about slipping beneath the waves.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
Jason Born, CFA
President