

September 2021



## Waves, Bulls and Bears

The bull market for U.S. stocks continues, shrugging off all the worry signs 2021 has thrown its way. Vaccine-driven re-openings are propelling U.S. economic growth, helping corporate earnings growth, and leading to an uptick in inflation. Rising inflation pulled interest rates up modestly to still historically low levels.

### Waves Up

Zuma Wealth clients continue to ride the waves. Stock holdings outperformed inside a perfect barrel: blue-chip winners including Microsoft, Apple, Visa and Tesla as well as diversified ETFs and mutual funds tilted to large-cap growth companies that advance in any weather that an open or closed economy brings. Income driven goals are benefitting from large dividend paying stocks, high yield corporate bonds and long duration Treasury bonds, all rallying in price as well as delivering dividends and interest.

### Poking the Bear

Bears do not typically hibernate in summer. A bear market is not likely soon, but the probability of a "correction" of 5-10% exists. This is not a bold statement; the S&P 500 falls by at least 5% on average three times every year and that has not happened once since last October.

We see three key risks that can get in the way of making money in the markets between now and year-end:

- First, the Federal Reserve will be tapering its considerable bond-buying program later this year. Removing this big buyer could make bond prices fall, which pushes interest rates up, and that can create investor tantrums and falling stock prices.
- Second, the White House may need to tinker with taxes to pay for the trillions it has committed to spend, generally viewed as an unkind climate for stocks.
- Finally, heightened pandemic concerns and rising prices are weighing on consumer confidence and that can slow spending on everything from cars to vacations to clothing.

We are not going to poke the bear, but we will stay on alert if he starts to yawn. Can the stock market drop 5%? Of course it can. We structure investment portfolios to deliver return goals while mitigating risk and we do so both strategically and protectively. Strategically, through good offense, by combining different asset classes we create allocations with great prospects for delivering growth, while guarding against unnecessary risk. Protectively, through great defense, we incorporate data to flexibly respond to market information and to guard against losses (because #WavesHappen).

We thank you for your loyalty and trust. You can contact us anytime.



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