



2021 Second Quarter Update

As we all started embracing the “return to normal” during the second quarter of 2021, the “word” of the quarter was inflation. What is inflation and how does it affect things around us? As we examine the last few months, below we have summarized how inflation has affected us, what it means to you, and what is next.

Inflation Spikes in May

You have likely been “feeling” inflation from bread to gasoline to market rents, prices have increased notably across the board. Since higher inflation means that it could take more dollars to purchase a good, this could bode well for U.S. equities. Along the same vein, as it could take more dollars to purchase a stock, this could theoretically lend support to higher equity prices. Just some food for thought.

Russell 2000 Index (Small-Caps)

Every year, the Russell equity indices (small-caps) are reconstituted to ensure market changes that have occurred in the preceding year are captured. The most widely followed Russell Index is the Russell 2000, which tracks the smallest 2,000 stocks in the Russell 3000 Index. This reconstitution changes the stocks that comprise the index, resulting in a newly reconstituted index on June 28th.

During this reconstitution, underperforming stocks are removed from the index and new stocks are added. This can create opportunities for investors that have suitability that allows for small-caps. Check out this article that provides technical analysis about the [Russell 2000 Reconstitution here](#).

What is Next

While there is no crystal ball, it is beneficial to keep a pulse on the message of the markets on a monthly, weekly, and even daily basis. In a market like this, it may be wise to be on the lookout for any meaningful pullbacks to find long-term opportunities at lower prices. Given the seasonal tendency for a softer period from June through October, it could be a wise time to discuss your portfolio to plan for any opportunities that may arise.

With that in mind, how is your situation--and has it changed? Have any events or ideas happened in your life that could result in making any adjustments? Let us know!

As always, we are here to answer any questions you may have or catch up on your financial plans and objectives.