

# Holyk Doran Wealth Management Group

## Market Update – May 5, 2021



Despite recent volatility the markets continue to move in the right direction. The technology and biotech sectors felt most of the pain over the last couple months – but since we generally prefer to focus on more stable sectors and conservative stocks our portfolios did not have a lot of exposure to the volatility.

The weaker US dollar this year has been a performance headwind however, we continue to believe it is advantageous to own US stocks for the exceptional growth they offer and the US Dollar as a great diversification tool.

Although we do not recommend or hold a position in any crypto currencies (like Bitcoin) we follow the sector with interest. In recent weeks there was a huge drop in crypto currencies (Bitcoin in particular), proving that this is a speculative sector with unquantifiable risk, hence it remains difficult for us to consider allocating any capital to it at this time.

Seeing last year's hottest sectors give up some of their gains and at the same time have the rally broaden out into more traditional sectors is a very positive event. More breadth in a rallying market is a healthy signal and plays into our hands since we run more balanced portfolios.

The root cause of the volatility that we've seen recently is related to inflation fears and how a reactionary rise in interest rates would affect things. The Producer Price index, which is a leading indicator for US inflation, spiked to 6.6% for April – the highest ever recorded. While we agree that inflationary pressures are building we also believe that the recent spike is transitory and won't be sustained at that level. A little inflation is a good thing. A little bump up in interest rates would likely be well handled by the markets as it signals continued economic strength and with the recent growth in savings rates consumers are easily capable of absorbing price hikes.

The pandemic is in its final innings and while we do believe that the virus will be around in different forms for years to come, we don't think it will shut the world down all at once as it has in the last year.

Our portfolios are positioned for a boom in economic activity as the pandemic subsides and the world emerges from its shackled state. In first world countries, people are absolutely fed up with the pandemic, they're getting vaccinated at a rapid rate, and they've saved cash that they can now spend with a "life is short" mentality.

Overall, we are constructive on the investment landscape. We recently shifted some funds away from ultra conservative bond strategies and added to an international equity allocation that has consistently outperformed. We continue to get tested by market developments, but we remain committed to building well allocated portfolios and our models continue to deliver good returns.

Happy to set up a full review of your portfolio on the phone, via web video, or soon-to-be in person! Please let us know if you'd like to set up an appointment or we can discuss on our next regular check in call.

Sincerely,

The Holyk Doran Wealth Management Group



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