

Rising bond yields dampened investor enthusiasm for high-multiple growth companies last week, sending market averages mostly lower in a holiday-shortened week of trading.

The Dow Jones Industrial Average gained 0.11% for the week. But the Standard & Poor's 500 fell 0.71% and the Nasdaq Composite index slid 1.57%. The MSCI EAFE index, which tracks developed overseas stock markets, declined 0.26%.^{1,2,3}

Market Insights

Market Index	Close	Week	Y-T-D
DJIA	31,494.32	+0.11%	+2.90%
NASDAQ	13,874.46	-1.57%	+7.65%
MSCI-EAFE	2,222.01	-0.26%	+3.47%
S&P 500	3,906.71	-0.71%	+4.01%



Treasury	Close	Week	Y-T-D
10-Year Note	1.34%	+0.13%	+0.41%

Sources: The Wall Street Journal, February 19, 2021; Treasury.gov, February 19, 2021
Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, February 12, to Friday, February 19, close. Weekly performance for the MSCI-EAFE is measured from Friday, February 12, open to Thursday, February 18, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

Mixed Signals

The 10-year Treasury Note yield hit its highest level in a year last week on worries of a pick-up in inflation, while the 30-year Treasury Bond yield ticked over 2.0%. Rising yields weighed on the high-valuation growth stocks, most specifically the big tech names, in addition to dragging down interest rate sensitive sectors, like utilities and real estate investment trusts (REITs).⁴

Economic data painted a mixed picture of the economy. Jobless claims reflected a still-struggling labor market while a strong retail sales number and an above-consensus PPI (Producer Price Index) reflected strong consumer spending and building inflationary pressures.^{5,6,7}

Stocks were flat as the week came to a close, as traders wrestled with the crosscurrents of positive economic data and a further rise in yields.

Inflation Worries

After a long period of low inflation, concerns are growing that higher consumer prices may return as a result of an accommodative Federal Reserve monetary policy and fiscal spending in response to the pandemic. Tensions heightened last week with the release of January's PPI report, which saw a jump of 1.7%, the biggest monthly increase since 2009.⁸

While the Fed believes that any price increases will be fleeting, the market appears to view inflation a bit differently. The prospect of further stimulus and more reopenings are adding to investors' unease, which may revive an old Wall Street practice—inflation watching.

This Week: Key Economic Data

- Monday:** Index of Leading Economic Indicators.
- Tuesday:** Consumer Confidence.
- Wednesday:** New Home Sales.
- Thursday:** Jobless Claims, Durable Goods Orders, GDP (Gross Domestic Product).
- Friday:** Consumer Sentiment.

Source: Econoday, February 19, 2021
The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

This Week: Companies Reporting Earnings

- Monday:** Palo Alto Networks (PANW).
- Tuesday:** Home Depot (HD), Intuit, Inc. (INTU), Ingersoll Rand, Inc. (IR).
- Wednesday:** Nvidia (NVDA), Etsy, Inc. (ETSY), Lowe's Companies (LOW), TJX Companies (TJX), Teledoc Health, Inc. (TDOC).
- Thursday:** Salesforce.com (CRM), Best Buy (BBY), Workday, Inc. (WDAY), Dell Technologies (DELL), VMware (VMW), American Tower Corp. (AMT).
- Friday:** Draftkings, Inc. (DKNG).

Source: Zacks, February 19, 2021
Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

Food for Thought

"The fire is winter's fruit."

—Arabian Proverb

Tax Tip

Do You Know the Difference Between Taxable and Nontaxable Income?

All income you receive is taxable unless the rules explicitly state that it isn't. According to the IRS, taxable income includes earned income like wages as well as any income earned by bartering or the exchange of property or services. Rental income is taxable as are other forms of unearned income like interest and dividends or Social Security.

Some income is not taxable unless certain conditions are met. For example, life insurance proceeds are usually not taxable to the beneficiary unless you redeem a life insurance policy for cash. Any amount you receive above the cost of the policy is taxable. State and local income tax refunds may be taxable and should be reported on your federal taxes.

There are also some forms of income that are usually not taxable, like:

- Gifts and inheritances.
- Child support payments.
- Welfare benefits.
- Damage awards for physical injury or sickness.
- Cash rebates from a dealer or manufacturer for an item you buy.
- Reimbursements for qualified adoption expenses.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

**Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Tip adapted from IRS.gov⁹

Healthy Living Tip

Choose to Make Your Plate "MyPlate"

Ah, the Food Pyramid. It had a lot of flaws, but we're not going to address them all right now. Its major weaknesses were that it generalized recommended servings per day and poorly defined portion sizes. So, in 2008, the U.S. Department of Agriculture implemented a user-friendly redesign: the pyramid was transformed into a plate.

The concept behind the MyPlate was simple, now a pyramid and seemingly obvious. After all, we eat off a plate, not a pyramid. Portions are easier to see. Make half the plate fruits and vegetables; the other half, grains and protein. A serving of dairy (or non-dairy alternative) on the side. Easy, right?

Take advantage of this method the next time you sit down for a meal and see what adjustments you can make to make your plate even healthier.

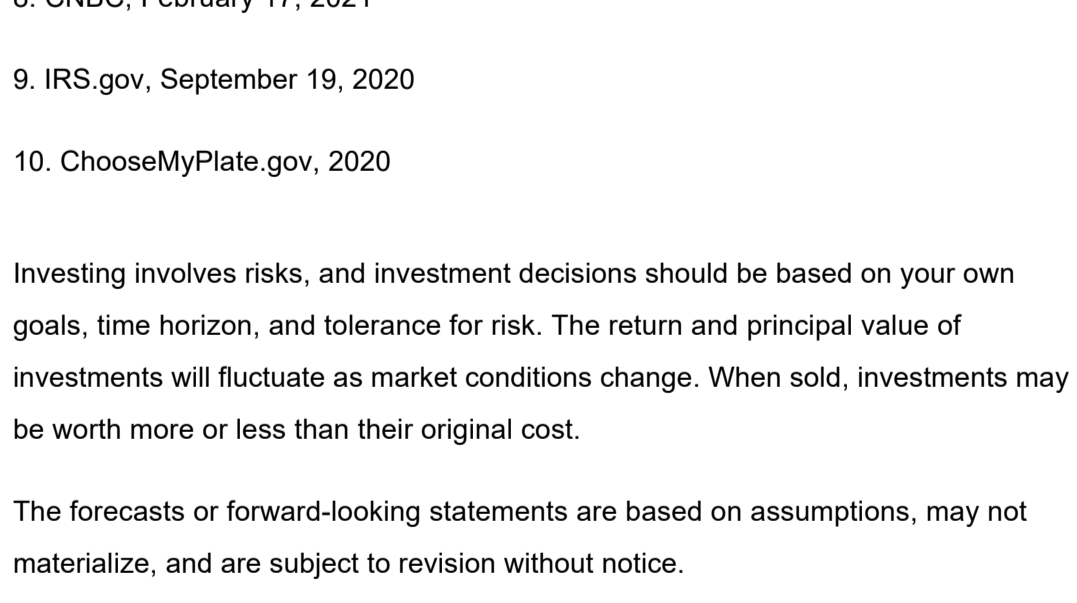
Tip adapted from ChooseMyPlate.gov¹⁰

Weekly Riddle

What appears once in a minute, twice in a moment, but never in a decade?

Last week's riddle: Two fathers and two sons went truffle hunting. Each found a truffle yet they found only three in all. Why? Answer: The truffle-hunting party was made up three people - a man, his son and his grandson.

Photo of the Week



Happy snowy owl on Jones Beach, Long Island, New York.

Footnotes and Sources

1. The Wall Street Journal, February 19, 2021
2. The Wall Street Journal, February 19, 2021
3. The Wall Street Journal, February 19, 2021
4. CNBC, February 16, 2021
5. The Wall Street Journal, February 18, 2021
6. FoxBusiness.com, February 17, 2021
7. CNBC.com, February 17, 2021
8. CNBC, February 17, 2021
9. IRS.gov, September 19, 2020
10. ChooseMyPlate.gov, 2020

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

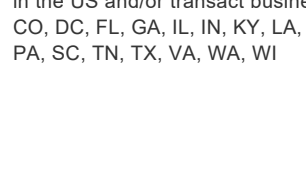
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