



# **THE CONCORD ADVISORY GROUP, LTD.**

*Institutional Investment Consulting Services*

## ***OCTOBER 2021 MARKET HIGHLIGHTS***

***“COMPARING ASSET BUBBLES”***

# THE CONCORD ADVISORY GROUP, LTD: OCTOBER 2021 MARKET HIGHLIGHTS

## COMMENTARY: “COMPARING ASSET BUBBLES”

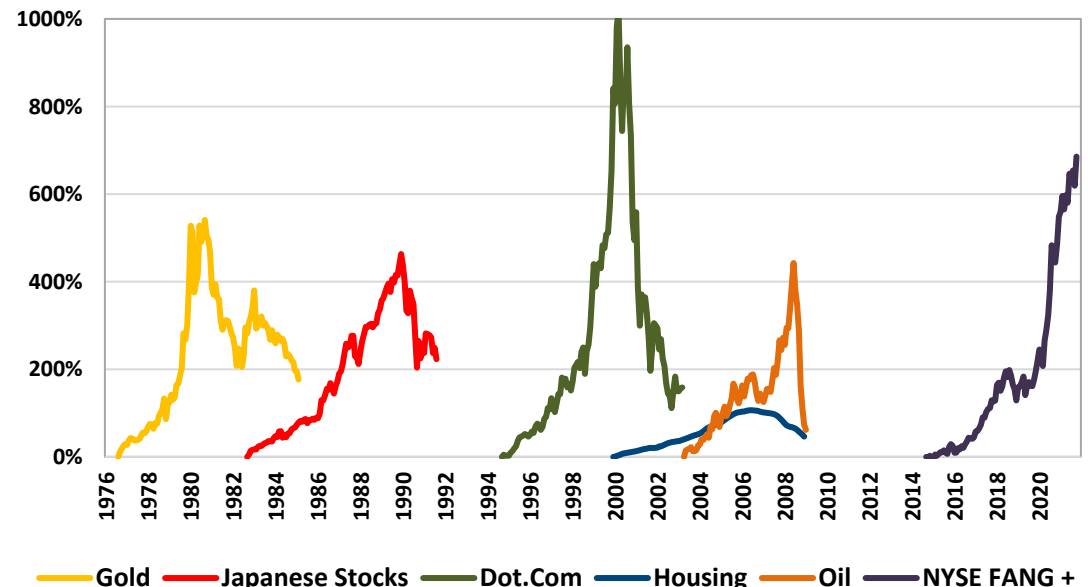
Last month’s large price appreciation in Tesla and Bitcoin (higher on the futures-based ETF launch) brings the topic of bubbles to mind. Tesla has a market capitalization in excess of one trillion dollars, which is more than Toyota, VW, Daimler, GM, BMW, Ford, Honda, and seven more auto companies combined. A good, practical definition of an investment bubble is: “an asset with a value that is completely unjustifiable by fundamentals.” Trading with a trailing P/E of 360x and at 23x sales, the word “bubble” seems to apply to Tesla.

Looking at past bubbles provides some insight on the level of danger in the current asset bubble. The past shows that the potential impact from bubbles is related to the breadth of exposure and fragility of asset owners to steep price drops. For example, in both the 2008 housing market crash and the 2000 dot.com market crash, around \$5 trillion dollars in net worth were destroyed. Of the two financial crises, 2008 was much worse, almost taking-down the entire financial system. The 2000 market setback “only” caused a recession. The difference between the two events was that the drop in house prices impacted millions of homeowners and the banks, neither of which were well positioned to handle the loss. Both the banks and homeowners were overly levered and fragile. Stock investors, who are better able to deal with losses, bore the brunt of the 2000 market sell-off.

In thinking about the potential risk that exists in today’s asset prices, the analysis is mixed. On the negative side, very large asset prices could create very meaningful losses. Adding together just the market caps of FAANG stocks (\$7.3 trillion), Tesla (\$1.1T) and Bitcoin (\$1.1T), we have \$9.5 trillion. Mitigating this risk is the observation that outside of Tesla and Bitcoin, the valuations of the FAANG stocks are easier to rationalize in the current low interest rate market than the dot.com valuations were in 2000. Also, a good portion of the current market risk is held in places that can afford to absorb losses. For example, in Tesla (Musk 17%), Amazon (Bezos 10%), and Facebook (Zuckerberg 14%), the founders own substantial portions of the company.

The last mitigating factor is history. The 2008 financial crisis made central banks intensely aware that drops in asset prices can deeply injure the economy. As a result, investors can expect fast central bank support if prices started crashing. Today’s high valuations pose a risk, but that risk appears less severe than it was in 2000 or 2008.

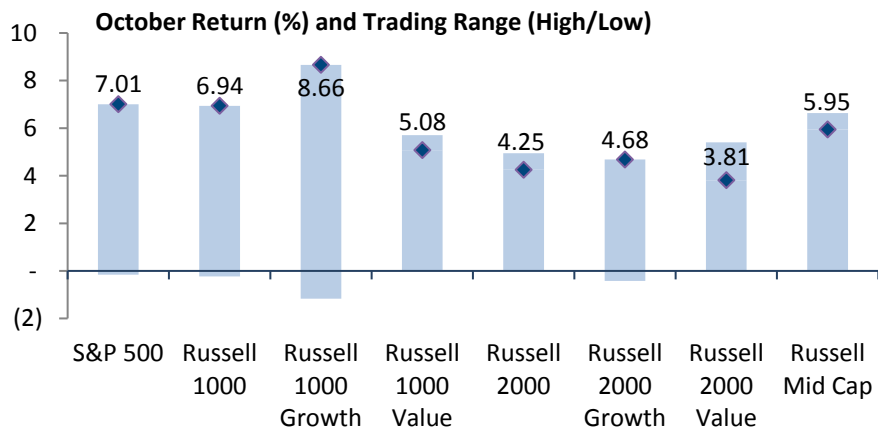
### 35 Years of Asset Bubbles



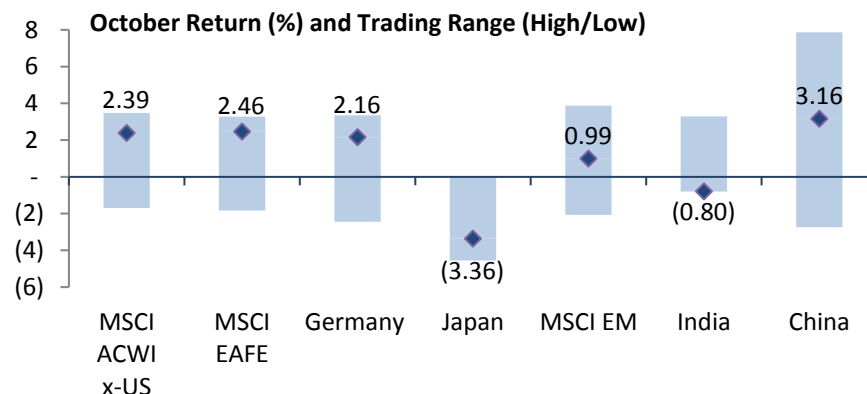
# THE CONCORD ADVISORY GROUP, LTD: OCTOBER 2021 MARKET HIGHLIGHTS

## MONTHLY CHARTS

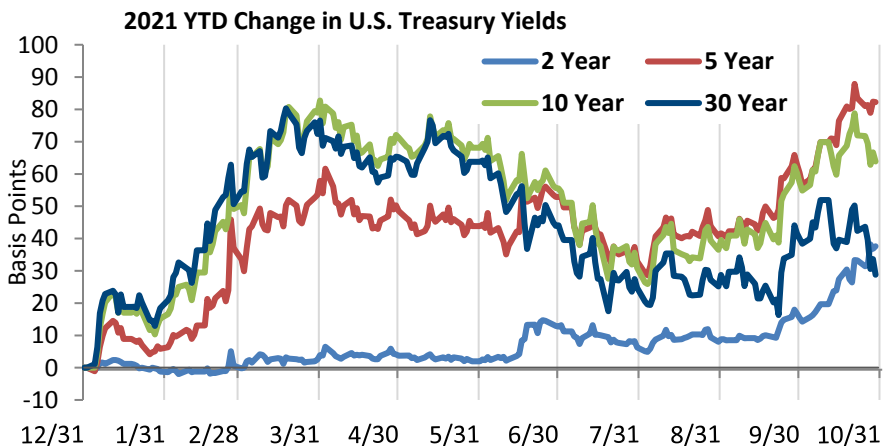
**U.S. Equities:** U.S. equities rebounded from the prior month's weakness and posted the strongest monthly result of the year. Positive earnings data drove markets higher, despite lingering inflation fears.



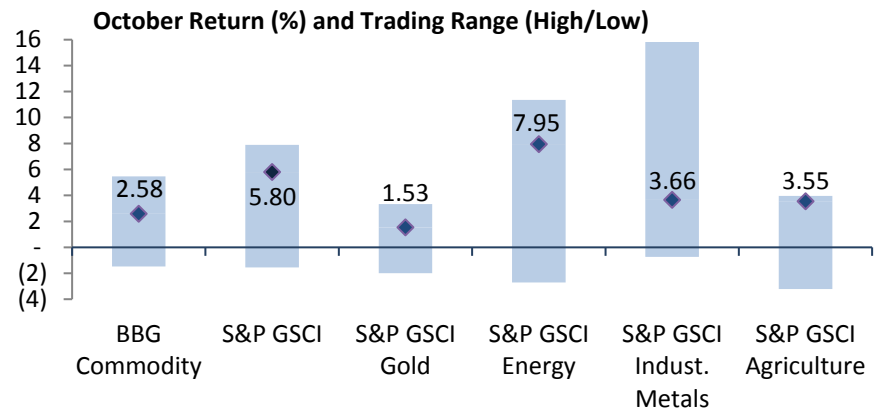
**International Equities:** Both developed non-U.S. equities and emerging markets also delivered gains in October, but to a lesser extent than domestic returns.



**Fixed Income:** Fixed income was flat to modestly negative in October, as short-term yield rose and longer-term yields fell.



**Commodities:** Broad commodities prices moved higher during the month, again driven by the Energy sector, which has earned a return of more than 70%, to date, in 2021.



# Concord Advisory Group: October 2021 Market Performance

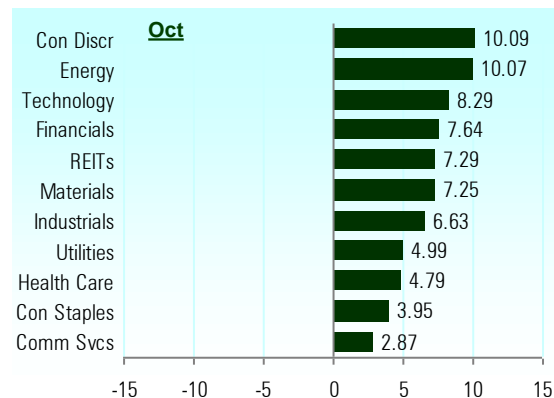
## Equity Markets

	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	7.01%	5.13%	24.04%	42.91%	21.48%	18.93%
Russell 1000	6.94%	4.98%	23.18%	43.51%	22.01%	19.16%
Russell 1000 Growth	8.66%	6.41%	24.20%	43.21%	29.41%	25.49%
Russell 1000 Value	5.08%	3.43%	22.03%	43.76%	13.91%	12.40%
Russell MidCap	5.95%	4.17%	22.02%	45.40%	19.86%	16.47%
Russell 2000	4.25%	3.44%	17.19%	50.80%	16.47%	15.52%
Russell 2000 Growth	4.68%	2.50%	7.64%	38.45%	18.65%	17.91%
Russell 2000 Value	3.81%	4.46%	27.60%	64.30%	13.44%	12.61%
MSCI ACWI	5.10%	3.28%	16.79%	37.28%	17.48%	14.72%
MSCI World	5.66%	3.80%	19.44%	40.42%	18.21%	15.45%
MSCI ACWI Ex-US	2.39%	0.99%	8.43%	29.66%	12.00%	9.77%
MSCI EAFE	2.46%	1.24%	11.01%	34.18%	11.54%	9.79%
MSCI EM	0.99%	-0.49%	-0.27%	16.96%	12.30%	9.40%
Bloomberg Commodity	2.58%	7.37%	32.46%	43.94%	8.56%	5.17%

## Fixed Income Markets

	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.03%	-1.08%	-1.58%	-0.48%	5.63%	3.10%
Barclays Capital Global Aggregate	-0.24%	-2.42%	-4.29%	-1.24%	4.54%	2.52%
Barclays Capital Intermediate Aggregate	-0.43%	-1.09%	-1.22%	-0.64%	4.35%	2.46%
Barclays Capital Universal	-0.08%	-1.00%	-1.16%	0.48%	5.84%	3.42%
Barclays Capital Government	-0.08%	-1.32%	-2.50%	-2.38%	5.02%	2.46%
Barclays Capital Credit	0.22%	-1.09%	-1.09%	1.90%	7.68%	4.60%
Barclays Capital Municipal	-0.29%	-1.38%	0.50%	2.64%	5.18%	3.42%
Barclays Capital High Yield	-0.17%	0.33%	4.36%	10.53%	7.42%	6.40%
Barclays Capital Mortgage	-0.19%	-0.71%	-0.86%	-0.58%	4.00%	2.18%
Barclays Capital 1-3 Yr Gov/Credit	-0.33%	-0.41%	-0.24%	-0.05%	2.73%	1.83%
FTSE 3-Month Treasury Bill	0.00%	0.01%	0.04%	0.05%	1.08%	1.12%
FTSE World Govt Bond	-0.41%	-3.22%	-6.32%	-3.55%	3.97%	1.98%
Barclays Capital U.S. TIPS	1.13%	0.24%	4.69%	7.07%	8.38%	4.66%
BofAML Invest Grade Convertible	3.21%	2.73%	8.47%	17.38%	11.76%	13.23%

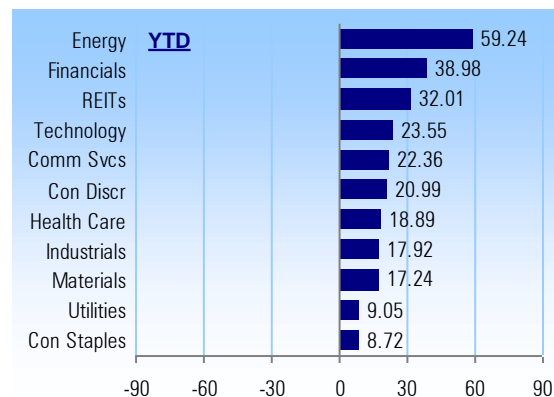
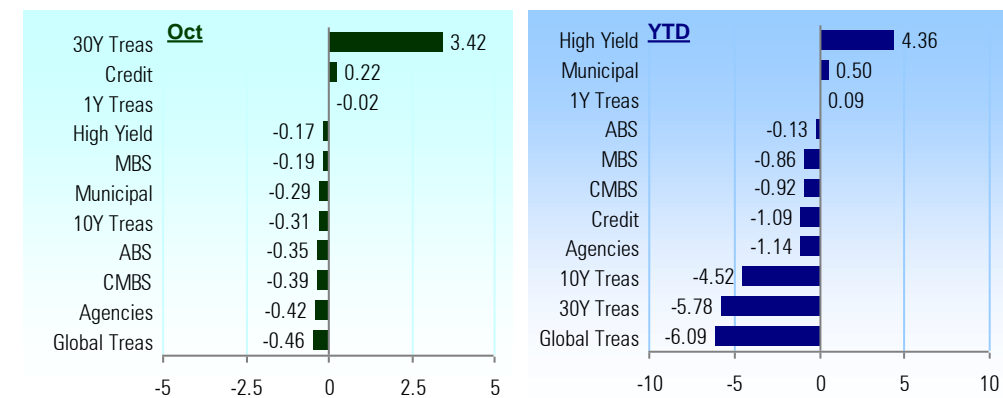
## Equity Sector Returns (%)



## Equity Style Returns (%)

	Value	Core	Growth
Large	5.08	6.94	8.66
Mid	5.32	5.95	7.01
Small	3.81	4.25	4.68

## Fixed Income Sector Returns (%)



	Value	Core	Growth
Large	22.03	23.18	24.20
Mid	24.54	22.02	17.29
Small	27.60	17.19	7.64

## Treasury Yield Curve

