



BaldwinClarke

— Planning has its rewards. —

BC Market Insights

Markets | Economy | What's Trending
November 2021 Issue



What's Macro
Market Observations & Commentary
Are 60 / 40 Portfolios Dead?

The Next 10 Years: Muted Return Expectations

According to a recent article in the [Financial Times](#), the traditional 60% stock, 40% bond portfolio appears to be obsolete due to the probable underperformance of both of its components for years to come.

The forward-looking capital market assumptions from many of the world's leading asset managers and investment consultants imply tepid returns for stocks and bonds for the coming 10 years.

One such firm, Callan Associates, develops 10-year return and risk expectations for 22 asset classes each year. Using its 2021 assumptions for a 60% U.S. large cap stock, and 40% U.S. core fixed income portfolio, Callan's 10 year geometric (think compounded) annualized mean return expectation is 4.6%. (Expected annualized returns are 6.50% for U.S. large caps and 1.74% for core bonds.)

Callan is not alone. Goldman Sachs' estimated annualized 10-year return for a 60/40 portfolio is 4.7%. BlackRock's estimate is even lower at 3.51% owing to its fixed income return expectation of only .08%.

These firms examine several economic and market factors, along with the lessons learned from history, to formulate these expectations. Like [BaldwinClarke](#), they use them to create efficient client portfolios that optimize expected returns relative to various risk tolerance levels.

In this new "investing" normal, it is important to learn more about how to:

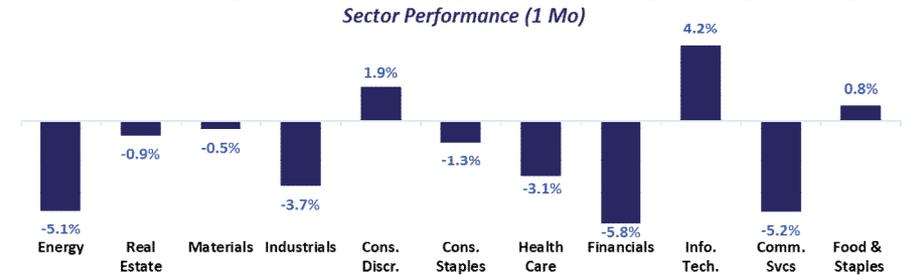
1. Live with muted return expectations.
2. Cope with increased portfolio complexity.
3. Look at portfolio construction with a new and better lens.
4. Manage increased portfolio risk.

Please see our [full blog](#) for additional context and insight on how to navigate through these forward-looking market expectations.

Market Recap¹

Equity Markets	Value	Index Returns					
		1 Week	1 Month	QTD	YTD	1 Year	3 Year
S&P 500	4,567	-2.64%	-0.83%	6.02%	21.59%	26.10%	65.46%
Dow Jones 30	34,484	-3.71%	-3.73%	1.89%	12.67%	16.35%	35.03%
NASDAQ	15,538	-1.51%	0.25%	7.54%	20.56%	27.37%	111.96%
MSCI EM	1,212	-3.42%	-4.14%	-3.25%	-6.14%	0.61%	21.89%

Interest Rates	Rate Levels (%)						
	11/30/2021	11/23/2021	10/31/2021	9/30/2021	1/1/2021	11/30/2020	11/30/2018
Fed Funds	0.08%	0.08%	0.07%	0.06%	0.09%	0.09%	2.20%
2-Yr U.S. Treasury	0.52%	0.60%	0.48%	0.28%	0.13%	0.16%	2.80%
10-Yr U.S. Treasury	1.43%	1.67%	1.55%	1.52%	0.93%	0.84%	3.01%
Prime Rate	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	5.25%



What's Micro
Happenings from around the neighborhood
Ever wonder what that lake is worth?

Not Your Typical Appraisal²: A unique economic impact study recently put a value on one of NH's defining attractions – Lake Winnepesaukee. As a firm that does business valuations, it is interesting to see a dollar value ascribed to such a beautiful and diverse state resource that covers 72 square miles. While the study breaks down the various economic drivers of area, the underlying catalyst was driven by the interest to protect the lake. Venture a guess as to what Lake "Winni" is worth? You can find the answer, or at least one group's answer, [here](#).

All Things Energy³: Energy costs is always a hot topic here in NH. With costs rising and a higher level of public consciousness around reducing emissions (rightfully), we found this [NHPR article](#) on the state's energy system to be particularly informative. What are NH's climate goals? What sectors are the largest contributors of greenhouse gases in the state? Answers to these questions (and others), are found in this article along with insight on how NH stacks up on renewables vs. our neighboring states. In short, we're trailing.

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Market performance reflected in this report is not a guarantee of future performance.

Sources:

- (1) Market date sourced from S&P Global's Capital IQ database. Index and sector return information reflects the total return value over a given time frame. Sectors summarized are based on S&P 500 sector designations classified by Capital IQ. Return and interest rate data reported through 11/30/21.
- (2) Laconia Daily Sun – "Study: Lake Winnepesaukee worth over \$17 billion" – by Jon Decker (11/19/21)
- (3) NHPR.org – "Where does your power come from?" – by Mara Hoplamazian and Daniela Allee (11/23/21)