
Participation vs. Perfection?
When Is the Right Time to Invest In the Market?

August 2021



CAPITAL
INVESTMENT
Advisors

Outline

1. Current Environment
 2. Participation vs. Perfection
 3. Back Half of the Year and Beyond
-



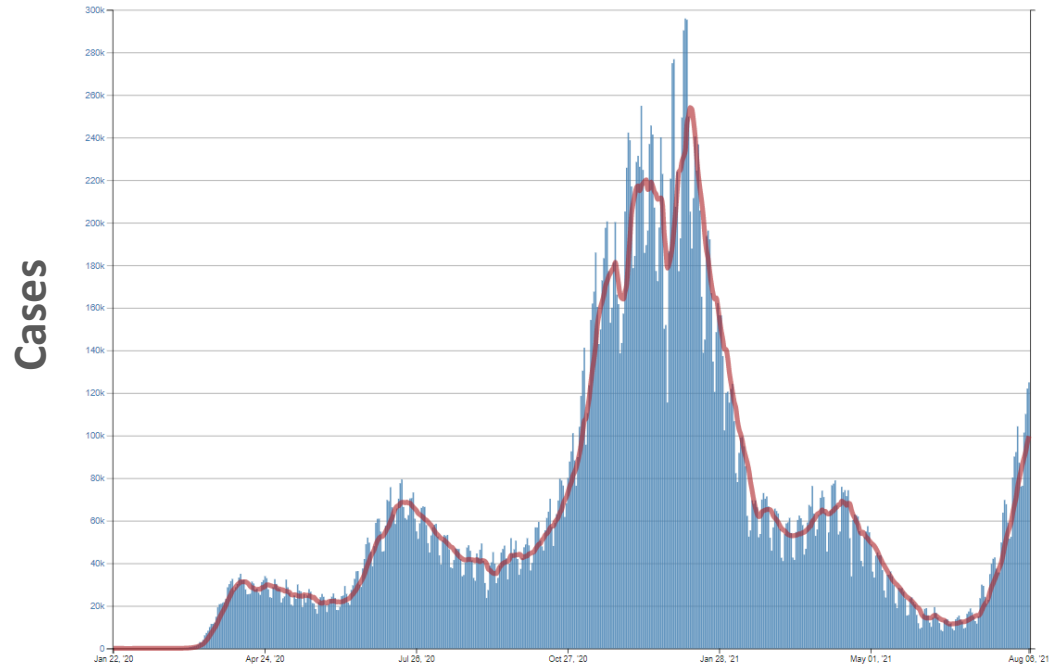
CAPITAL
INVESTMENT
Advisors

Two



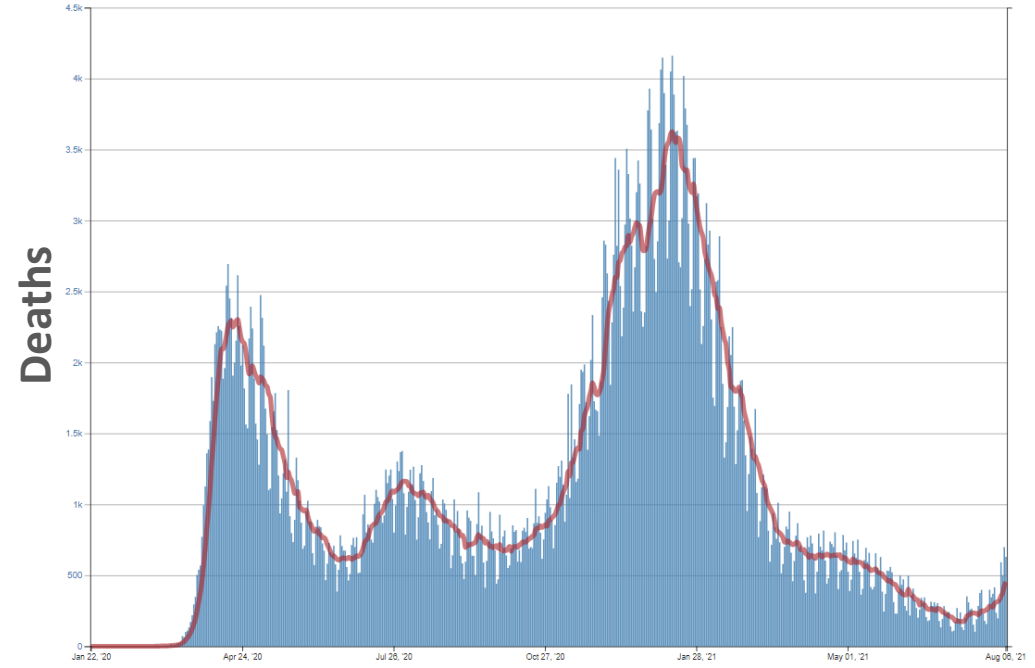
COVID – 19 Update

COVID-19 Cases in the US



Source: Centers for Disease Control and Prevention
Data as of August 6, 2021

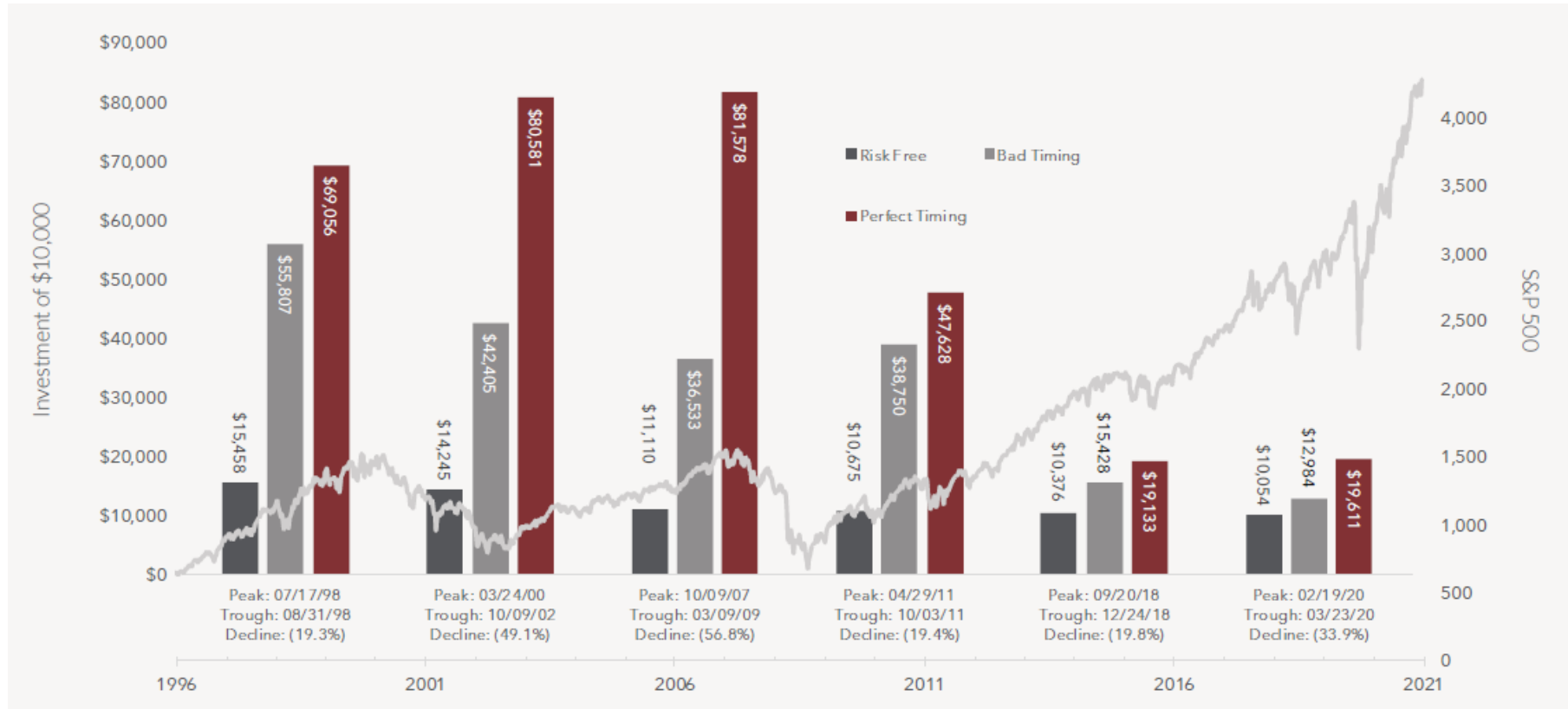
COVID-19 Deaths in the US



Source: Centers for Disease Control and Prevention
Data as of August 6, 2021

Perfection vs. Participation

Time in the market is more important than timing the market, typically.



Source: Bloomberg L.P. Stocks are represented by the S&P 500, and cash equivalents by the Bloomberg Barclays U.S. Treasury Bill Index. Indexes are unmanaged, do not incur fees or expenses, and cannot be invested directly.

When we look at the difference in growth between getting in the market (using the S&P 500) at the “perfect” time and getting in the market at the “worst” time, the numbers don’t lie.

Perfection vs. Participation

Long-Term Scenario



Dot-Com Bubble

Investing in 2000-2002

S&P 500: -49%

Intermediate Scenario



The Great Recession

Investing in 2007-2009

S&P 500: -57%

Short-Term Scenario



COVID-19

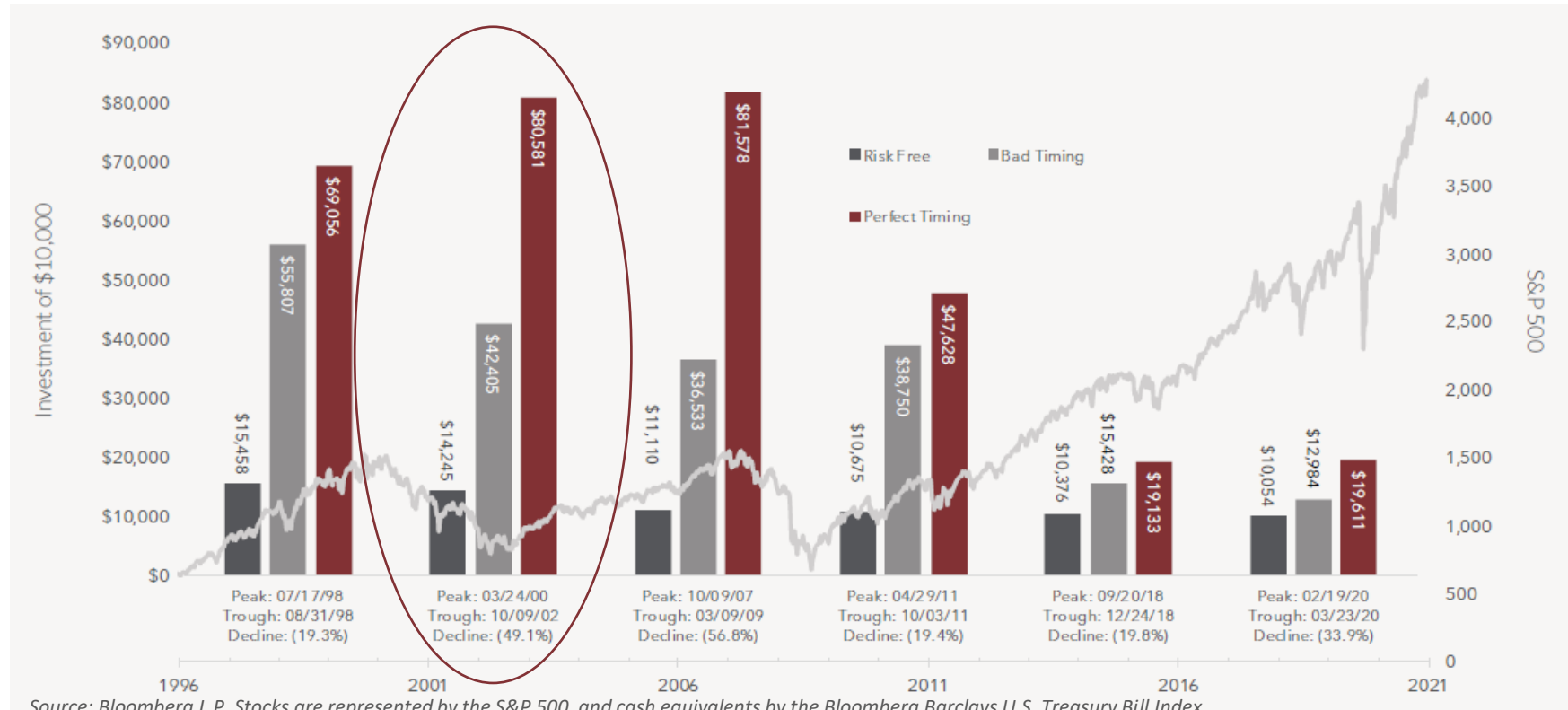
Investing in 2020

S&P 500: -34%

Perfection vs. Participation – Long-Term Scenario

Dot-Com Bubble

Investing in 2000-2002



S&P 500 Performance

-49%

Perfect Timing

\$80,600

Worst Timing

\$42,400

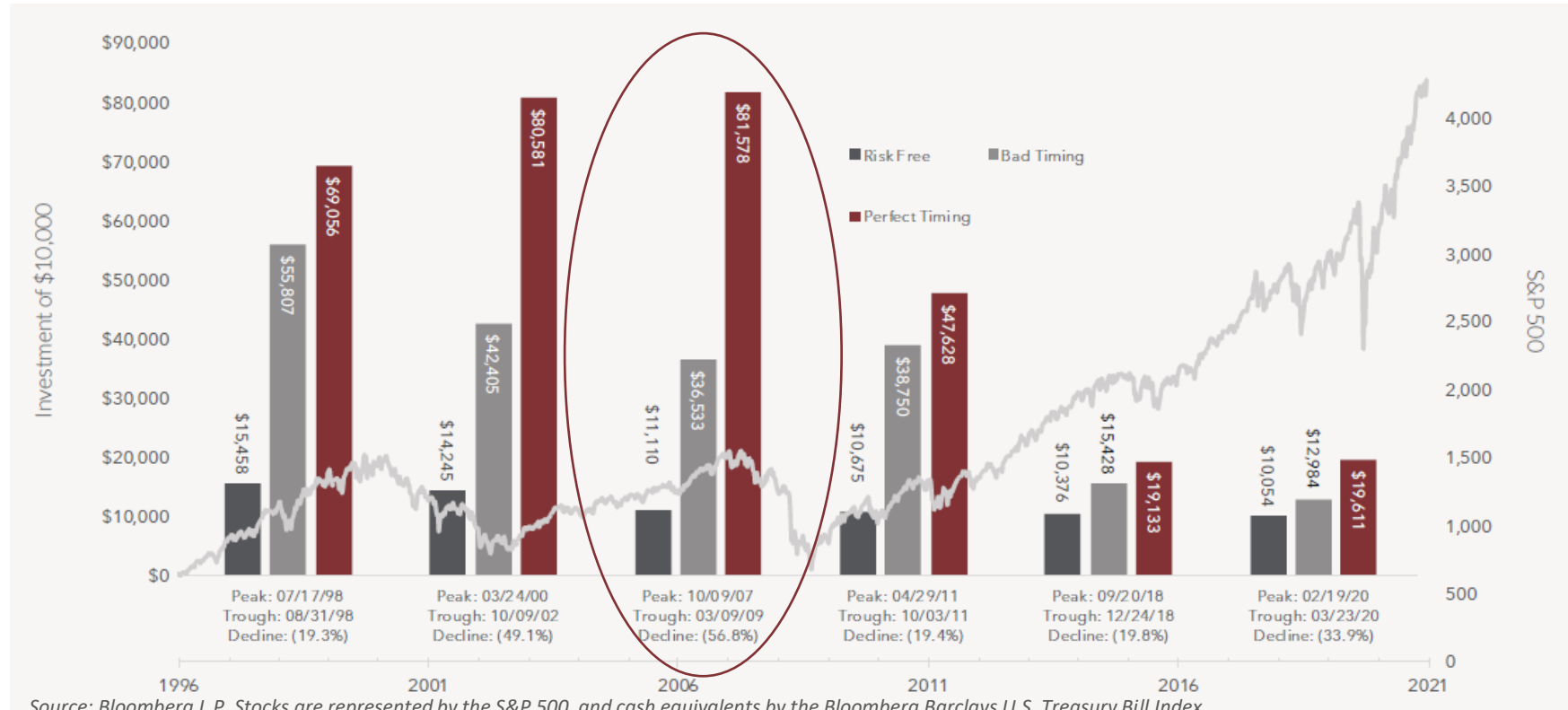
Getting in the market with “perfect” timing yielded growth to \$80,600.

Getting in with the “worst” timing yielded growth to \$42,400.

Perfection vs. Participation – Intermediate Scenario

The Great Recession

Investing in 2007-2009



S&P 500 Performance

-57%

Perfect Timing

\$81,600

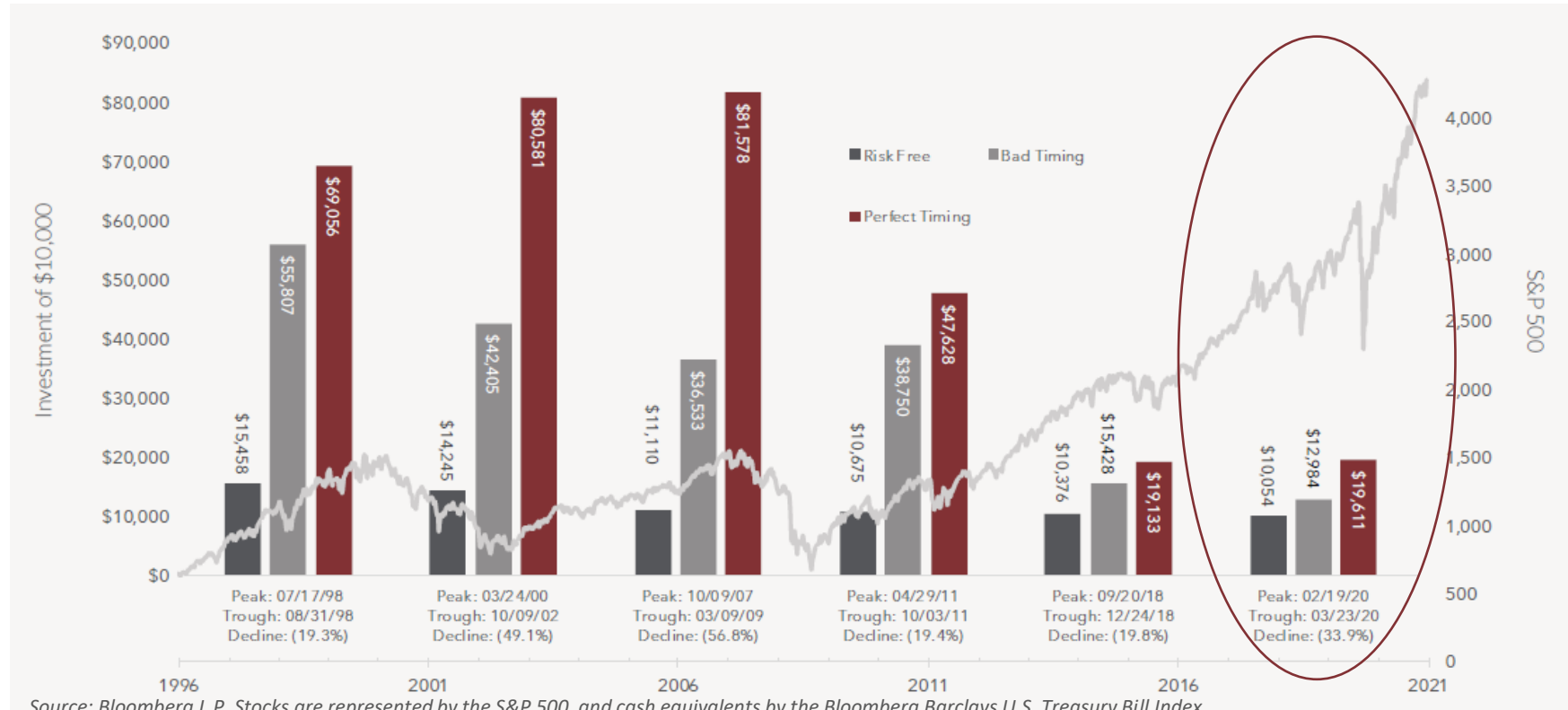
Worst Timing

\$36,500

During this time, “perfect” timing yielded growth to \$81,600. The “worst” timing yielded growth to nearly \$36,500. Investing at the “worst” time still beat cash by 229%.

Perfection vs. Participation – Short-Term Scenario

COVID-19 Investing in 2020



S&P 500 Performance
-34%

Perfect Timing
\$19,600

Worst Timing
\$13,000

“Perfect” time investing yielded growth to \$19,600, while “worst” time investing yielded growth to \$13,000. The “worst” timing still beat cash by 29%.

- In every scenario outlined, **investing at the “worst” time bested holding cash.**
- Market drops are very normal and should be expected.
- Despite the S&P 500 Index being positive in 31 of 41 years, the market’s average intra-year decline is 14.3 percent.
- Market corrections (10 percent or more declines) are to be expected, as an “average” decline in any given year is almost 15 percent.
- **Investment success is typically less about perfection and more about participation.**

Back Half of the Year and Beyond

1. Earnings
 2. Inflation
 3. Dividends
-

Q2 Earnings Update

<i>S&P 500 Q2/21 Earnings Report</i>							
Sectors	Reported %	Sales Surprise			Earnings Surprise		
		Positive	Negative	%	Positive	Negative	%
Materials	96%	20	5	80%	18	7	72%
Industrials	96%	55	4	93%	56	8	88%
Consumer Staples	68%	18	3	86%	19	3	86%
Energy	100%	17	5	77%	18	4	82%
Technology	83%	60	3	95%	61	4	94%
Consumer Discretionary	78%	38	7	84%	40	6	87%
Communications	96%	20	1	95%	18	5	78%
Financials	100%	47	8	85%	55	5	92%
Health Care	89%	54	0	100%	52	4	93%
Utilities	100%	17	8	68%	21	7	75%
Real Estate	100%	25	3	89%	23	5	82%
<i>S&P 500</i>	<i>90%</i>	<i>371</i>	<i>47</i>	<i>89%</i>	<i>381</i>	<i>58</i>	<i>87%</i>

Source: Bloomberg L.P.
Data as of August 6, 2021

Q2 earnings have continued to be strong, with nearly 90% of companies that have reported beat EPS and sales.

Q2 Earnings Update



Source: Strategas

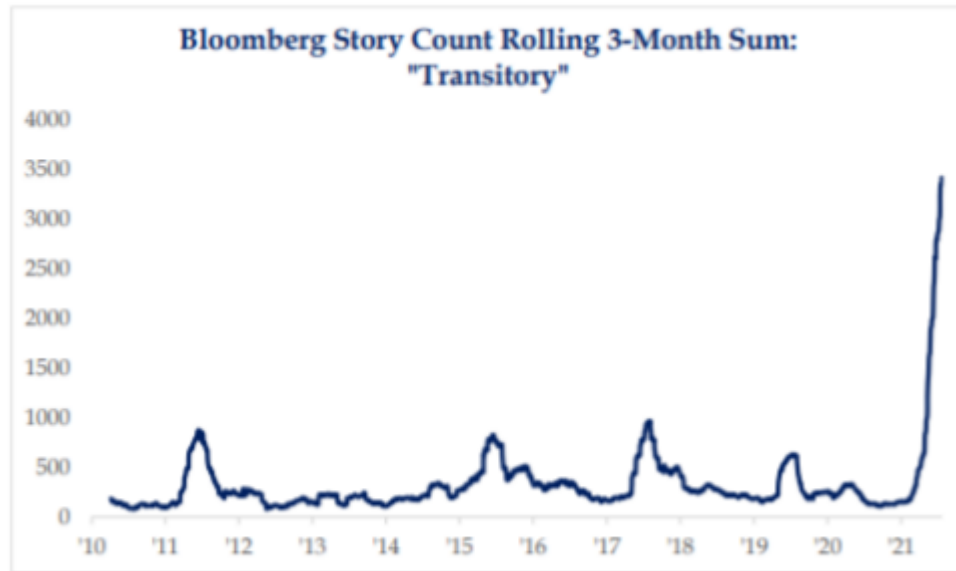
73% of companies saw earnings upwardly revised in Q2 2021, an increase from the prior record of 70% in Q4 2020.

Forward S&P 500 Performance Following Peak Upward Earnings Revisions				
Month End	+1 Month	+3 Months	+6 Months	+12 Months
Jul. '88	-3.4%	3.5%	11.4%	31.9%
May. '95	2.3%	6.0%	14.9%	28.4%
May. '00	2.5%	7.1%	-6.9%	-10.6%
May. '04	1.9%	-1.0%	5.7%	8.2%
Nov. '09	1.9%	1.3%	0.4%	9.9%
Mar. '18	0.4%	3.4%	11.4%	9.5%
Nov. '20	3.8%	5.6%	16.9%	?
Jul. '21	?	?	?	?
Average	1.4%	3.7%	7.7%	12.9%

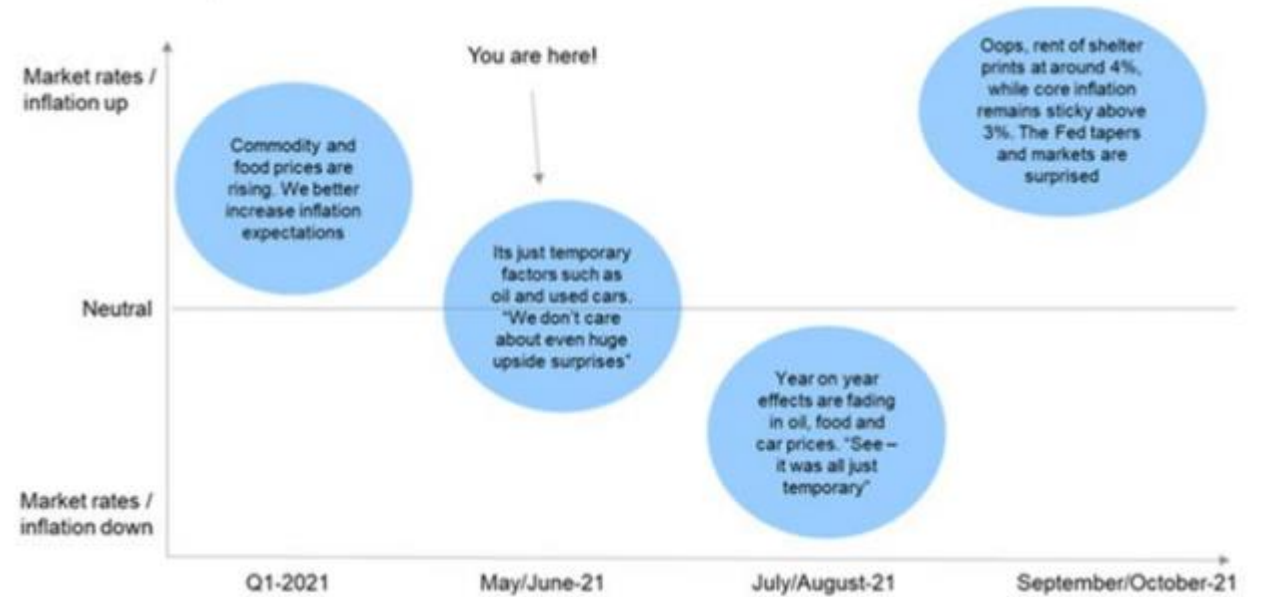
Source: Strategas

Returns have generally been strong in the year following upward revisions (85% positive hit rate).

Inflation



Source: Strategas



Source: Nordea Bank

Inflation



General Mills
Expects to See
Inflation Running at
7% This Year.



Proctor and Gamble says that
Commodities and cost pressure
have escalated significantly.



Chipotle to
Increase Food
Prices 4%.



Implemented average 2%
pricing surcharge on select
models in the U.S. to offset
raw-material inflation.



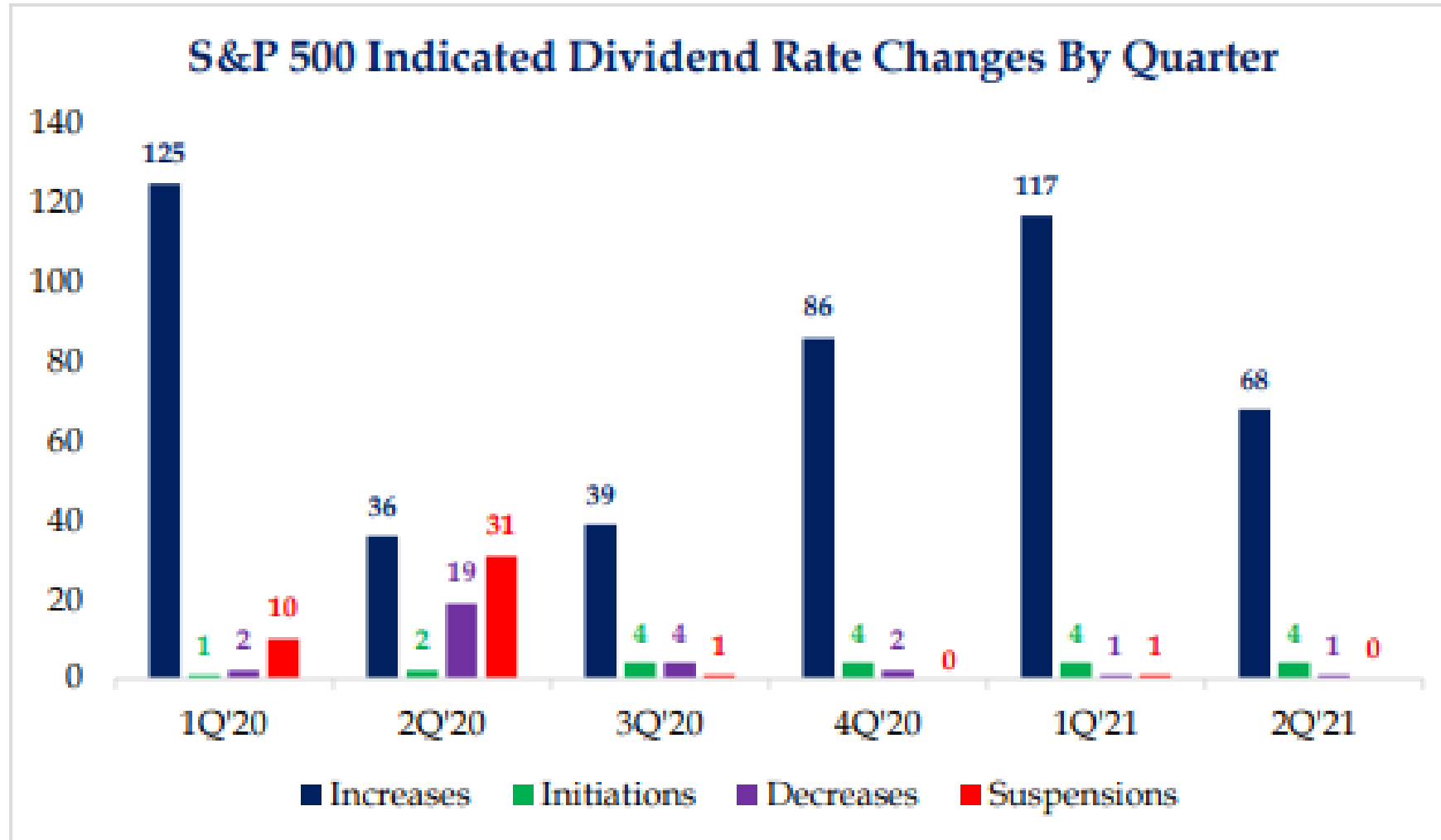
Caterpillar has carried out price
increases twice this year to offset
higher raw material costs.

Income – We Continue to Like Dividends

Ticker	Company	Sector	Dividend Yield	Forward P/E
BBY	Best Buy Co., Inc.	Consumer Disc.	2.5%	14.1x
CAH	Cardinal Health, Inc.	Health Care	3.8%	8.7x
CMI	Cummins, Inc.	Industrials	2.5%	13.0x
CSCO	Cisco Systems, Inc.	Information Technology	2.7%	16.8x
GILD	Gilead Sciences, Inc.	Health Care	4.1%	10.4x
HII	Huntington Ingalls Ind.	Industrials	2.2%	15.1x
LMT	Lockheed Martin Corp.	Industrials	2.9%	13.1x
NEM	Newmont Corporation	Materials	3.7%	16.4x
PFE	Pfizer, Inc.	Health Care	3.4%	12.1x
SNA	Snap-on, Inc.	Industrials	2.2%	15.8x
Average			3.0%	13.5x
SPX			1.4%	21.6x

**This is provided for illustrative purposes only. Might not be reflective in actual portfolios.
Dividend Yield and Forward P/E as of August 6, 2021*

Income – We Continue to Like Dividends



Source: Strategas

Disclosure

This information is provided to you as a resource for informational purposes only. Information presented herein is provided to you as a guideline for general information and might not be applicable to your individual situation. Investing involves risk, including the possible loss of principal. There is no guarantee offered that investment return, yield, or performance will be achieved. There will be periods of performance fluctuations, including periods of negative returns. Past performance is not indicative of future results when considering any investment vehicle. The mention of any company is provided to you for informational purposes and as an example only and might not be suitable to your specific situation. This information is being presented without consideration of the investment objectives, risk tolerance, or financial circumstances of any specific client and might not be suitable for all clients. As always, talk to your investment advisor about your specific situation and/or to notify us should any changes arise in your financial situation or investment objective.