TEMPO
Financial Advisors, LLC

550 Cochituate Road, Suite 25 ■ Framingham, MA 01701
Tel 508.655.7827 ■ Fax 508.655.7829
www.TempoAdvisors.com

THE TEMPO VANTAGE

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Gratification Delayed

What had been shaping up as a modestly positive quarter wound up being little changed to slightly down.

Although the S&P 500 eked out a small gain (+.58%), most equity segments ended the quarter in the red. The Dow was down 1.5%, international stocks were down 1%, healthcare stocks were down 2% and technology stocks were down 2.5%.

The story in the bond market was similar. Intermediate bonds (both taxable and Muni) were flat for the quarter. Most other bond sectors were plus or minus break-even. On the positive side were high-yield bonds (+0.5%), bank-loan bonds (+0.9%), and inflation bonds (+1.5%). On the negative side were emerging market bonds and convertible bonds (both down 1%).

You may recall from the second quarter Tempo Vantage newsletter I had anticipated a positive return for stocks through the end of the year. While the third quarter started out on a positive note, it didn't end up that way. What happened?

Where do I start?

First, as the quarter wore on it became clear that the Delta COVID variant would keep the pandemic alive for longer than we had been hoping (not to mention large swaths of people who refuse to get vaccinated).

Next came a pair of negative developments from China. First was the so-called crackdown on tech companies. Although this mostly has implications for Chinese tech stock, tech stocks around the globe reacted as well.

Then news broke that China's largest real estate developer (Evergrande) could go bankrupt. This has major implications not only for the Chinese economy, but by extension the rest of the world.

Add to all that the continued dysfunction that is our current political system. I'm not very political, so it is hard for me to understand why we can't get some sort of a deal on infrastructure done. When the Republicans were in office, they wanted to spend on infrastructure and it didn't happen. Now the Democrats are in office and they want to spend on infrastructure. Still nothing. At least not yet.

Finally, let us not forget about what seems to have become an annual occurrence: The potential for the United States to exceed the debt ceiling and default on our debt. Even though a deal is always reached prior to the deadline, the fear of no deal, which would be a huge disaster, always spooks the markets. In fact, a deal to temporarily raise the debt limit has already been reached. This will take us all the way to… December. Look forward to round II.

Where does this leave us?

I still believe that my prediction about a positive stock market for the last six months of 2021 will be accurate. The issues above are temporary. If we are able to get beyond them, the path will be cleared for another leg up in the stock market, just a little delayed from my initial call.

Tempo Financial Advisors' 3rd Quarter Investment Performance

Returns for all of Tempo's Investment Programs were in line with or slightly ahead of benchmarks. As you read above, both the stock and bond markets were largely unchanged for the quarter. The same is true for Tempo.

Tempo's Diversified Income and Dynamic Income Programs had positive quarters, up 0.4% and 0.1%, respectively. Both were ahead of their benchmarks (which were flat), but not by much.

The **Tempo Dynamic Growth Program** was flat for the quarter, in line with our benchmark. Accounts have been rebalanced and we are now overweighting financial stocks and commodities to go along with high-yield bonds and inflation bonds.

Tempo Lifestyle was our only program to lose money in the third quarter. Losses were all fractional (down between 0.1% and 0.8%) and in line with benchmarks. More aggressive accounts were at the lower end of the range due to a higher percent of equities in portfolios. This is not surprising since most equity sectors were down for the quarter.

The fourth quarter has started on a positive note for all four of Tempo's Investment Programs. Let's hope my prediction is true for the rest of the year!

Reminder

Please contact us if there has been a change in your financial circumstances that would warrant a fresh perspective on your portfolio.

Dan

Daniel J. Traub