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2021: The Year in Review

Every January, it's customary to look back at the year that was. What were the highlights? What were the "lowlights"? What events will we always remember? Most importantly, what did we learn?

In many ways, the journey we took in 2021 was a microcosm of the journey we take to our dreams and financial goals. To illustrate how, let's look at seven dates from the past year. Now, I'm not saying future generations will see these dates in the history books. They have nothing to do with politics, sports, pop culture, shocking headlines, or anything else people tend to remember. But they're not arbitrary, either. Each date is a snapshot of how the markets performed throughout the year. I chose them because they reveal an important lesson about what it means to grow and progress.

Let's start with:

January 4

*Dow Jones: 30,223**

Rewind back to the beginning of 2021. Do you remember how much optimism was in the air? Everyone was thrilled to be done with 2020. The first vaccines had just begun rolling out, and the future promised a return to normalcy. Jobs would come back. Theaters and restaurants would reopen. Kids had already begun returning to school after months of online learning. The markets reflected this optimism. The Dow had climbed above 30,000 for the first time in history only a few weeks prior – only nine months after a historic crash! – and there was every expectation they would climb even further.

January 29

*Dow Jones: 29,982**

Then, a small step back. The Dow slid back under 30,000 as investors remembered the pandemic wasn't over – and there was still much uncertainty about what lay ahead for the economy. Coronavirus cases rose slightly, while consumer spending fell. Earnings season commenced, with multiple companies reporting record losses for the previous year. As a result, the Dow's progress seemed to stall.

This is often the way life works, isn't it, Mr. and Mrs. Elliott? Each January, many of us set new goals and make new resolutions. *I'm going to lose weight. I'm going to quit smoking. I'm going to learn the piano. I'm going to retire. I'm going to finally take that trip to Europe. I'm going to quit my job and start my own company.* You get the idea.

We begin each year with such expectation! Often, we're quick out of the gate toward the new finish line we've set for ourselves. But before long – sometimes, before January even ends – we hit a snag. A speedbump. A pothole. We get distracted, sidetracked, or waylaid. Progress grinds to a halt.

When that happens, we have two choices: Give up, or go on.

May 7

*Dow Jones: 34,777**

In 2021, investors chose to go on. Despite the ongoing pandemic, the expectation was that the economy would recover and grow faster than ever – and *expectation* is mostly what drives the markets.

Over the ensuing months, the markets experienced a torrent of growth. Meanwhile, vaccination numbers went up, COVID numbers went down, and the government passed *The American Rescue Plan*, a continuation of the previous year’s stimulus programs. As a result, the S&P hit 4,000 for the first time *ever* in early April, and by early May, the Dow Jones was knocking on the door to 35,000. Sure, there were concerns about rising inflation, and whether the economy was heating up *too* fast, but for the most part, things were looking up!

Sometimes we generate a lot of momentum as we roll toward our financial goals. Plans get executed. Things come together. Suddenly, the resolutions we set in the New Year not only seem possible, but downright *likely*. But then...

September 30

*Dow Jones: 33,843**

The Dow did *not* go on to hit 35,000 in May, nor in June, either. In fact, that milestone wasn’t passed until July 23, and there was lots of turbulence along the way. (Major volatility struck in both June and July, and on several occasions, the Dow slid back into the 33,000s.)

During this time, it became clear that inflation was a very real problem. As the economy re-opened, producers were simply not able to meet demand, and prices rose. This led to fears that the Federal Reserve would raise interest rates sooner than expected, closing off the “easy money” spigot the markets had become accustomed to. And, of course, it was in the summer when the sequel to COVID-19 came out. Scientists called it Delta.

The Dow *did* rise as high as 35,625 in the middle of August*, but before long, it was giving ground again. By the end of September, the Dow was essentially back where it was at the beginning of April. A frustrating time for short-term investors, as spring and summer essentially amounted to walking in circles.

Long-term investors know, however, that these stretches are to be expected. They also serve as a lesson. Sometimes, we must endure long plateaus on the way to our goals. Periods where, despite all our efforts, we inch along, constantly taking one step forward, then two steps back. These plateaus can be physical. (I run on the treadmill every day; why am I not losing weight?) They can be vocational. (I’ve worked for years; why am I not making more money?) They can be aspirational. (I practice every day; why am I not getting better at the guitar?) And they can be financial. (I save and invest my money, I keep my expenses low and my debt even lower, I budget every month; why does it still feel like I never have the money to do what I want?)

There’s no getting around it: Plateaus are extremely aggravating. And they are often when investors lose sight of their goals – because the horizon still seems so far off, never getting closer.

November 8

*Dow Jones: 36,432**

But sometimes, a plateau can be the solid ground from which to launch, or the long runway we use to take off. Other times, the ground may only *seem* flat – in reality, it was sloping up the whole time, just never in a noticeable way. But when you look back, you see how much higher you were when you began. All you must do is simply *not give up or go back*.

That’s how Autumn seemed. For most of October and November, the markets went from strength to strength. Positive economic news, positive pandemic news – even positive news from Washington, as another debt ceiling crisis was averted, and the House passed a major infrastructure bill that Wall Street largely cheered.

But there's always a twist. Sometimes, the bad guy in the movie only *seems* dead. Because, just after Thanksgiving, Americans woke up to a new word: Omicron.

December 1

Dow Jones: 34,022*

In life, we will *always* face major setbacks. It doesn't matter if the finish line is far away or mere feet away. We will stumble. We will trip. We still stop outright. There will always be unexpected expenses, unexpected obstacles. Our health could change, or our financial status could change, or our family situation could change. Sometimes, our entire life could change.

When this happens, though, it's important to remember one very important thing: A dream delayed is *not* a dream denied. A setback doesn't mean going back to Square One. Failing to reach the summit on our first attempt – or second, or third – doesn't mean the entire journey was in vain. Often, it's those same setbacks that give us the knowledge, the experience, the *fortitude* to do what it truly takes to succeed.

December 29

Dow Jones: 36,488*

On December 29, just before 2021 ended, the Dow Jones hit its record high for the *entire year*.

This, to me, is the lesson of 2021: The road to our goals is rarely easy, and it's *never* straight. Progress is neither linear nor predictable. But by having a disciplined investing process, we know how to avoid getting caught up in hype and irrational exuberance. By having a long-term strategy, we know exactly what to do to keep growing and progressing when experiencing plateaus. And by planning ahead, we can factor in the bumps in the road and the gaps on the track. That way, when we hit them, we'll keep on going instead of being derailed entirely.

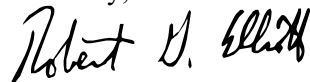
So, when time passes and we look back on where we started, we'll see just how far we actually came.

Yes, the year was a long and winding one, full of unexpected twists and turns. But 2021 taught us that if we keep our feet on the road and our eyes on the horizon, we *will* get closer to where we want to be. And that is a valuable lesson indeed.

One more thing to remember: My team and I will *always* be there for you. If you have questions, we want to answer them. If you have concerns, we want to address them. If you have dreams, we want to help you achieve them. We look forward to serving you this year, and for many years to come.

Happy New Year! Let's make it a great one!

Sincerely,



Robert G. Elliott, CFP
Vice President

*"Dow Jones Historical Prices," *The Wall Street Journal*, <https://www.wsj.com/market-data/quotes/index/DJIA/historical-prices>