

THE CAPITAL MARKETS

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The Dow Jones Industrial Average (DJIA) finished April at 33,875, up +2.71% for the month, and +10.68% year-to-date. The S&P 500 closed April at 4,181, up +5.24% for the month, and +11.32% so far for the year. The NASDAQ Composite gained +5.40% in April, up +8.34% for the year. Small-company stocks as measured by the Russell 2000, ended April up +2.07% for the month, +14.77% year-to-date. Real Estate (+7.96%) was the best performing sector in April.

"There are such high expectations embedded into markets that we're going to need a steady stream of good news just to maintain current prices," said Paul O'Connor, head of multi-asset investments at Janus Henderson.

(The Wall Street Journal, *Stocks Stage Late Rally; Dow Hits Record*, Joe Wallace, May 6, 2021)

DISAPPOINTING JOBS NUMBERS LEAD TO CONCERNS ABOUT SUPPLY BOTTLENECKS, AND INFLATION

With markets expecting around 1 million new jobs added in April, the economy made headlines when the Labor Department's report came in at just 266,000 jobs added, with the unemployment rate ticking up to 6.1%. Many factors have been suggested by experts as potentially contributing to the sluggish hiring, including a lack of child care, a mismatch between training and skills needed by employers, increased risks from the pandemic in certain industries, and continued federal enhancements to unemployment benefits. While the causes are likely varied and complex, certain outcomes are beginning to be observed. Shortages across the supply chain mean many manufacturers are facing shortages of not just workers but also components including semiconductors, plastics, metals, and certain foods. Even swimming pools are having a difficult time amidst a nationwide shortage of chlorine. Prices for certain inputs have surged and observers are closely watching for signs that inflationary pressures in the supply chain are pushing through to consumer prices.

High inflation, and particularly unexpected or sudden inflation, is generally seen as having a negative effect on the economy and capital markets. As input prices go up, consumers can buy fewer goods and services, business profits decline, and economies often slow temporarily until supply and demand become more balanced. The dynamics are complex, however, as some level of inflation is healthy for a growing economy, and the U.S. has undershot its inflation targets for years. After peaking at nearly 15% in the early 1980's, inflation has steadily declined and has been historically and persistently low since the 2008 recession, often below the Federal Reserve's target of 2%. While the outlook remains uncertain, the bond market is pricing in inflation levels of around 2.7% over the next 5 years - above recent trends, but still low by historical standards. Investors should expect volatility as these dynamics are worked out by markets, and are encouraged to remain disciplined and patient through short-term headlines. Certain stocks can do better or worse in inflationary environments, and broad diversification across industries, market cap, and geography remains our core approach. As always, please reach out to us if you or your committees have questions or concerns about current market conditions.

"Concerns that a burst of inflation may prove more intense and longer-lasting than investors had expected sharpened focus on the data... Rising commodity markets, supply-chain blockages and hiring difficulties have prompted some investors to expect a prolonged upswing in consumer prices. That could lead the Federal Reserve to raise its target for short-term interest rates sooner than it has signaled, potentially weighing on stocks and other assets that have benefited from over a year of near-zero borrowing costs."

(The Wall Street Journal, *Stocks Slide on Inflation Data, Extending Decline*, Joe Wallace, May 12, 2021)

ROBUST U.S. GDP GROWTH IN FIRST QUARTER 2021

For the third consecutive quarter, U.S. GDP saw strong growth in the first quarter of 2021, bringing the U.S. economy to within 1% of its pre-pandemic peak reached in late 2019. GDP growth was +6.4% on an annualized basis for the quarter, driven by double digit growth in consumer spending. Spending on durable goods, such as appliances and furniture, grew at a stunning +41.4% rate. The outlook in other sectors is also strong, with the savings rate now over 20%. As vaccinations increase and as restrictions begin to ease, many households that have been social distancing for over a year are expected to have the savings to frequent the leisure, hospitality, travel, and entertainment options that had previously been hardest hit. The pandemic remains the biggest driver and risk to the economic recovery, and a reversal of recent reductions in cases and hospitalizations could reverse the reopening trajectory. Many observers are cautiously optimistic, with a strong +6-7% GDP growth expected for 2021.

Market Metrics

| INDEX OR METRIC | CLOSE AS OF 03/31/2021 | CLOSE AS OF 04/30/2021 | CHANGE PREVIOUS MONTH END | 2021 YTD % CHANGE |
|-------------------------------------|------------------------|------------------------|---------------------------|-------------------|
| Dow Jones Industrial Average | 32,981.55 | 33,874.85 | +893.30 | +10.68% |
| S&P 500 | 3,972.89 | 4,181.17 | +208.28 | +11.32% |
| NASDAQ Composite | 13,246.87 | 13,962.68 | +715.81 | +8.34% |
| RUSSELL 2000 | 2,220.52 | 2,266.45 | +45.93 | +14.77% |
| Fed Funds Rate | 0.00%-0.25% | 0.00%-0.25% | UNCHANGED | |
| 2-Year Treasury | 0.16% | 0.16% | +0.00% | |
| 10-Year Treasury | 1.74% | 1.65% | -0.10% | |
| Crude Oil \$ per Barrel | \$59.16 | \$63.58 | +\$4.42 | +31.04% |
| Gold \$ per Troy oz. | \$1,715.60 | \$1,767.70 | +\$52.10 | -6.72% |
| UK Point in U.S. \$ | \$1.3797US = 1£ | \$1.3846US = 1£ | \$ WEAKER | +1.29% |
| Euro in U.S. \$ | \$1.1753US = 1€ | \$1.2038US = 1€ | \$ WEAKER | -1.61% |
| Canada \$ per U.S. \$ | \$1.2568C = \$1.00US | \$1.2302C = \$1.00US | \$ WEAKER | -3.44% |
| Japan Yen per U.S. \$ | 110.50¥ = \$1.00US | 109.305¥ = \$1.00US | \$ WEAKER | +5.87% |