WEEKLY MARKET UPDATE, APRIL 12, 2021

GENERAL MARKET NEWS

- The 10-year Treasury yield remained flat last week. On Monday morning, it opened just one-tenth of a basis point higher than last Monday's open. The 30-year came in at 2.34 percent on Monday, down just two-tenths of a basis point from last week's open. On the shorter end of the curve, there was a slight decline in yields after Federal Reserve Chair Jerome Powell's 60 Minutes interview, in which he stated he expects rates to remain low through 2021. The 2-year opened last week at 0.18 percent and came in at 0.17 percent on Monday morning.

- The technology- and growth-biased Nasdaq Composite led the way last week, posting a gain of more than 3 percent. The S&P 500 followed just behind, up more than 2.7 percent. The muted moves in Treasury rates gave way to positive momentum for growth sectors, such as technology, consumer discretionary, and communication services. The top-performing names included Apple, Microsoft, Amazon, and Alphabet.

- On Monday, the Institute for Supply Management (ISM) Services index for March was released. The report showed that service sector confidence surged well past economist expectations, with the index rising from 55.3 in February to 63.7 in March against calls for a more modest increase to 59. This brought the index to its highest level since records began in 1997—an encouraging signal that reduced restrictions at the state and local level helped spur a surge in business confidence. The rise in confidence was supported by an increase in new orders for the service sector, highlighting strong levels of buyer demand. This is a diffusion index, where values above 50 indicate expansion, so this strong result is a good sign for business spending to finish out the quarter. Given the continued progress with mass vaccinations and the anticipated tailwind from the most recent federal stimulus bill, business confidence and spending are expected to remain in healthy expansionary territory over the coming months.

- On Friday, the March Producer Price Index report was released. Producer prices rose by 1 percent against forecasts for a more modest 0.5 percent increase. This translated to year-over-year producer inflation of 4.2 percent, which was higher than economist estimates for 3.8 percent year-over-year growth. Core producer prices, which strip out the impact of volatile food and energy prices, rose by a more modest 0.7 percent during the month and 3.1 percent year-over-year. Core producer inflation came in above economist estimates for a 0.2 percent increase during the month and 2.7 percent year-over-year. Part of the large year-over-year increase for both headline and core producer prices is due to the base effect caused by the comparison to last March, when initial lockdowns caused deflationary pressure. With that being said, we have seen a notable rise in inflationary pressure this year, largely driven by an increase in the cost of goods.

WHAT TO LOOK FORWARD TO

On Tuesday, the Consumer Price Index for March will be released. Consumer prices are expected to show 0.5 percent growth during the month, in a slight increase from the 0.4 percent uptick in February. On a year-over-year basis, economists expect to see consumer prices go up by 2.5 percent, rising above the 1.7 percent year-over-year rate recorded in February. Rising gas prices are part of reason why these increases are anticipated. Core consumer inflation, which strips out the impact of volatile food and energy prices, is expected to show a more modest 0.2 percent monthly increase and a 1.5 percent increase on a year-over-year basis. Inflation remained muted throughout much of last year due in large part to the deflationary pressures created by the pandemic. This year, however, we have seen an increase in inflationary pressure as the economic recovery has accelerated.

Thursday will see the release of the initial jobless claims report for the week ending April 10. Economists expect to see the number of initial unemployment claims fall from 744,000 to 700,000 during the week. If estimates hold, this report would bring the four-week moving average for initial claims to a new post-lockdown low, highlighting the ongoing improvement in the pace of weekly layoffs. As more and more states ease restrictions, this trend should support continued progress in getting the number of weekly initial unemployment claims down. This process may take some time, however, as some states have been slower to reopen than others. Ultimately, further progress in lowering the number of weekly claims is expected over the coming months, but continued volatility is likely as states continue with uneven reopening plans.

Also on Thursday, the March retail sales report will be released. Retail sales are expected to increase by 5.4 percent during the month, following a 3 percent decline in February. If estimates prove accurate, this report would represent a healthy rebound in spending growth following February's disappointing decline. February's lull in sales growth was primarily driven by unseasonably cold weather, as well as diminished federal stimulus payments during the month. In March, however, normal weather and the recent round of stimulus checks should support a swift return to sales growth. Also in March, consumer confidence surged to a post-pandemic high, and this indicator has historically signaled faster consumer spending growth ahead. If sales growth does rebound in March, it would be a good sign for the continued economic recovery. Consumer spending accounts for the majority of economic activity in the country.

Thursday will also see the release of the March industrial production report. Economists expect industrial production to rebound in March, following a weather-related pullback in February. Estimates are calling for a 2.7 percent increase in production during the month, against February's 2.2 percent decline. Manufacturing output is expected to show a strong 4 percent monthly increase, following a 3.1 percent decline in February. Industrial production and manufacturing output were both negatively affected by the winter storms in February. A swift return to growth in March would be a sign that moderating weather allowed for a return to more normal business conditions during the month. Manufacturing confidence rose to a new post-pandemic high in March, which is expected to support faster levels of manufacturing spending and output. Overall, if estimates prove accurate, this report would be a positive signal for business spending and output as we head into the spring. It would also represent another sign that the negative impact from the winter weather from February is behind us.

The fourth major report scheduled for Thursday is the release of the National Association of Home Builders Housing Market Index for April. This gauge of home builder sentiment is expected to improve from 82 in March to 84 in April. If estimates prove accurate, this report would bring the index back to its February level, signaling continued high levels of home builder confidence. The index rebounded swiftly after hitting a lockdown-induced low of 30 last April. Low mortgage rates and shifting home buyer preference due to the pandemic fueled this rally for the housing sector over the past year. Home builder confidence remains well above pre-pandemic levels and near the record high the index set in November 2020 despite rising lumber and construction costs. Looking forward, home builder confidence near current levels would signal continued expansion for the housing sector and future levels of new home construction.

On Friday, March's building permits and housing starts reports are set to be released. These two measures of new home construction are expected to rebound following weather-related declines in February. Building permits are expected to increase by 1.7 percent during the month, while starts are expected to jump by 13 percent. Building permits and housing starts can be quite volatile on a month-to-month basis, but these indicators have rebounded well following the end of initial pandemic-related lockdowns last year. High levels of home builder confidence and low levels of available homes to purchase have spurred a surge in new home construction over the past year, with single-family homes leading the increase. If estimates hold, these reports would be a positive signal that the slowdown in new home construction in February was largely a weather-related lull rather than the start of a negative trend. Given the continued high levels of buyer demand and low amount of supply of homes for sale across the country, any additional new home construction would be a positive sign for the housing sector.

We'll finish the week with Friday's release of the preliminary estimate of the University of Michigan consumer sentiment survey for April. This widely followed measure of consumer confidence is expected to improve to start the month. Economist forecasts are calling for a rise from 84.9 in March to 89 in April. If estimates prove accurate, this release would mark two consecutive months of improved consumer sentiment, bringing the index to a new post-pandemic high. The improvement we saw for the index in March was largely driven by advances on the public health front and further progress in returning to a more normal economic environment. Although work must be done to get confidence back to pre-pandemic levels, we are currently heading in the right direction. A few more months with similar levels of improvement would see the index approach the 2020 high of 101 recorded last February.

Equity Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.76%	3.97%	10.39%	50.50%
Nasdaq Composite	3.13%	4.95%	8.05%	71.82%
DJIA	1.99%	2.52%	11.02%	45.57%
MSCI EAFE	1.80%	2.52%	6.09%	43.55%
MSCI Emerging Markets	–0.56%	1.09%	3.40%	52.87%
Russell 2000	–0.46%	1.04%	13.87%	82.03%

Source: Bloomberg

Fixed Income Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.40%	–2.90%	0.37%
U.S. Treasury	0.39%	–3.82%	–4.09%
U.S. Mortgages	0.37%	–0.81%	–0.25%
Municipal Bond	0.38%	0.11%	6.05%

Source: Morningstar Direct

Disclosures: Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg Barclays US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg Barclays US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. Basis points (bps) is a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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