



INCISIVE INVESTOR

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WEEK IN REVIEW

MARKETS UP ON DATA AND EARNINGS

Stock Market News

U.S. stocks shook off early weakness to end higher on Friday but were unable to erase weekly declines.

Stocks were supported by data indicating an acceleration in economic activity and even faster growth in new home sales, as investors largely brushed off Thursday's reports that President Joe Biden would propose a large increase on the capital gains tax for the wealthiest Americans.

A busy week of corporate earnings reports also ended with a majority of companies seeing better-than-expected results for the quarter, even if guidance for the rest of the year was mixed.

The Dow Jones Industrial Average DJIA rose 227.59 points, or 0.7%, to close at 34,043.49, but ended the week down 0.5%. The S&P 500 SPX gained 45.19 points, or

1.1%, to close at 4,180.17, after trading above its April 16th closing high of 4,185.47 during the afternoon but ended the week down 0.1%. The Nasdaq Composite COMP jumped 198.40 points, or 1.4%, to 14,016.81, leaving a weekly loss of 0.3%.

For the week, the Dow lost 0.5%, the S&P 500 was down 0.1%, and the Nasdaq was 0.3% lower.



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Certain Sectors take a hit



Riskier parts of the market have dropped while the broader market has advanced. The S&P 500 Index is up more than 70% over the past 12 months. Hot areas of the market such as SPACs (special purpose acquisition companies), IPOs, cannabis, clean energy, 3D printing, and lithium/batteries have deteriorated between 18% and 42% from their 52-week highs. These riskier parts of the market peaked in mid-February as rising interest rates became a significant headwind. According to Refinitiv Lipper data, investors poured \$16.4 billion into global bond funds and \$14.9 billion into money market funds as concerns about a global rise in COVID-19 cases incited moves toward safer assets.

Earnings, cyclicals, and small caps

According to data from Bespoke Investment Group, the 67 S&P 500 companies that have beaten earnings estimates this reporting season have averaged a one-day drop of 0.62% following the release. That is far below the long-term average gain of 1.86% following earnings beats over the past 15 years.

Additionally, cyclical stocks such as airlines and cruise lines rebounded as economic recovery plays benefited after declining at the start of the week. Small-caps also surged more than 2% mid-week and have gained over 13% this year.

SPAC transactions halted

After a record of 109 new SPAC deals in March, issuance has now come to almost a standstill with just 10 SPACs so far in April, according to data from SPAC Research. Special purpose acquisition companies celebrated a landmark in the first three months of 2021 by breaking its 2020 issuance record. SPACs raise capital in an initial public offering and use the cash to merge with a private company and take it public. The extreme slowdown stemmed from accounting guidance issued by the Securities and Exchange Commission that would classify SPAC warrants as liabilities instead of equity instruments.

Biden seeks higher capital gains tax

President Joe Biden will seek to raise taxes on millionaire investors to fund education and other spending priorities. As part of the plan, Biden will seek an increase on the tax on capital gains to 39.6% from 20% for Americans earning more than \$1 million. The president is expected to release the proposal formally next week to fund spending in the \$1 trillion American Families Plan. This could include measures aimed at helping US workers learn new skills, expand subsidies for childcare, and make community college tuition free for all.

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HEADLINERS

Minneapolis police officer Derek Chauvin was found guilty on three felony charges from the killing of George Floyd last year.

First-time claims for US unemployment insurance totaled 547,000, which was below the estimate of 603,000 and represented a new low for the COVID-19 era.

According to the Mortgage Bankers Association's seasonally adjusted index, US mortgage application volume surged 8.6% last week following a two-month low in interest rates. This represents the first increase in weekly applications since the end of February.

Analysts believe the record-breaking Wall Street bank bond offerings recently were driven by unusual market conditions and regulatory decisions that can be traced to the government's pandemic relief efforts.

US health officials confirmed fewer than 6,000 cases of COVID-19 in fully vaccinated Americans. However, the CDC chief acknowledged that the number could be

under-estimated.

Copper prices rose as global stock markets hit record highs. The dollar fell with many analysts and traders expecting the metal to rally to new 10-year highs.

The US Treasury named climate change financial adviser John Morton to head the department's new climate hub to foster green finance and use tax policy and financial risk assessments to help reduce carbon emissions.

Women are paying up to 7.6% more for car insurance than men according to research from the insurance comparison site, The Zebra. The study found that women are paying higher premiums in 21 states and the District of Columbia despite getting into fewer accidents.

According to the International Energy Agency, global energy-related carbon emissions are on track to surge nearly 5% this year reversing most of last year's decline caused by the coronavirus pandemic.





MAJOR STOCK MOVES

Intel Corp. INTC shares fell 5.3%, despite big earnings and raised annual guidance. A large dip in data-center sales was offset by strength in sales of personal computers and departing memory business.

Shares of Snap Inc. SNAP jumped 7.5% after the social-media company posted first-quarter results that surpassed analyst estimates.

Mattel Inc. MAT shares gained 0.8% after the toymaker reported a narrower-than-expected quarterly loss and said its sales surged nearly 50%.

Boston Beer Co. SAM, known for its Sam Adams-branded beers, reported earnings late Thursday that soared past analyst expectations, buoyed in part by sales of hard seltzers. Shares closed more than 3% higher.

Gap Inc. GPS shares rose 2.3% Friday after the retailer said celebrated gymnast Simone Biles will work with its Athleta brand.

Shares of Dow component Honeywell International Inc. HON fell 2.1% after beating Wall Street estimates for earnings and revenues and revising its 2021 outlook.

Schlumberger Ltd. SLB shares rose 1.8% after the energy-services giant posted better-than-expected earnings for the first quarter.

Shares of American Express Co. AXP fell nearly 2% after the card company's first-quarter revenue fell short of expectations.

Kimberly-Clark Corp. KMB stock lost 5.9% after the consumer products company, whose brands include Kleenex, Huggies, Scott, and Depends, reported first-quarter profit and sales that came in below expectations, and lowered its full-year outlook.

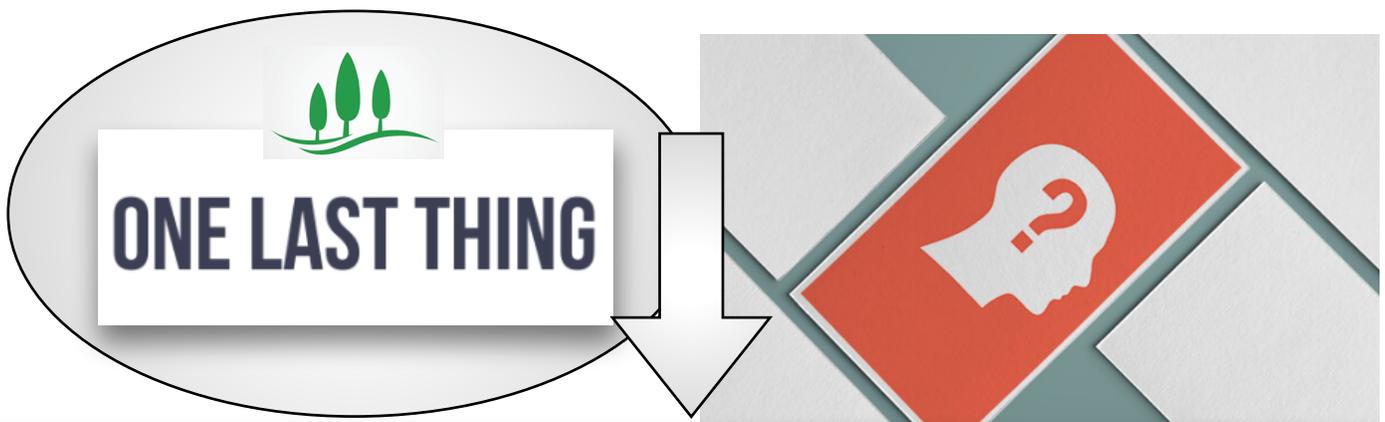
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