

COMMENTARY

## Mega Cap Stocks Take the Lead

After trading in a fairly tight range for most of February and March 2021, the broader market broke out to new highs in April. The move was driven by larger cap stocks, as shown by the gain of over 6% in the Russell Top 50 index. The S&P 500 was up over 5% as well. Smaller caps stocks (as measured by the Russell 2000 Index) trailed the performance of the S&P 500 and the Russell Top 50 having gained just over 2.0% during the period. Bonds also turned in a positive performance with the Bloomberg Barclays US Aggregate Index up 0.79% as rates eased off near-term highs reached in late March 2021 (Chart 1).

## The “Great Rotation” Takes a Pause in April

The market swiftly changed gears last year with the release of pivotal data for the first COVID vaccine. This appeared to initiate the “Great Rotation” with leadership shifting from large cap growth to small cap value and from technology and consumer to financials, industrials and energy. This trend paused in April 2021 with large cap growth, technology and consumer discretionary outperforming the S&P 500 while small cap value, industrials, financials and energy lagged the index. This was notably concurrent with a short-term high in the US 10-year note in late March. We think it is too early, though, to conclude that the “Great Rotation” is reversing and will continue to monitor this trend, updating you accordingly.

## Don’t Spoil the Party

We continue to see the weight of evidence supporting a range of 10% to 12% returns for the S&P 500 in 2021. The Fed continues to be very accommodative, fiscal policy has provided stimulus, the economy is re-opening and earnings are accelerating. This continues to provide a positive backdrop for the stock market.

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## ECONOMIC HIGHLIGHTS

S&P 500	4,181.17
DIJA	33,874.85
NASDAQ	13,962.68
OIL	\$62.02 /BARREL
GOLD	\$1,781.80/OUNCE
10-YEAR TREASURY YIELD	1.65%
UNEMPLOYMENT	6.00%
GDP	6.4%
PPI	4.23% Year-Over-Year
CPI	2.62% Year-Over-Year



Fed Chair Jerome Powell reiterated (as often as he could) in April that rates will remain low through at least 2022.



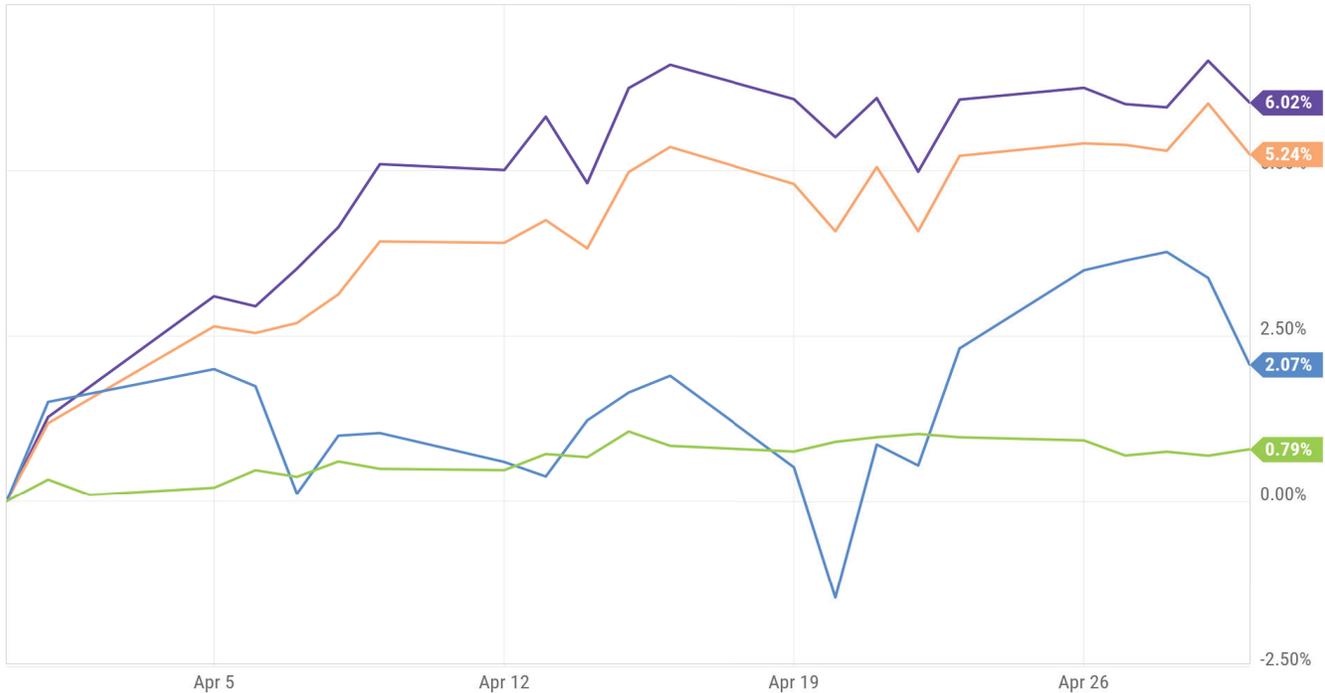
Just under a quarter of the US population has been fully vaccinated, but cases and hospitalizations appear to be on the rise.



The US Inflation Rate (reported monthly) was +2.62% in March, which was up from +1.68% in February and +1.54% last year.

Source: ycharts.com

- Russell Top 50 Level % Change
- S&P 500 Level % Change
- Russell 2000 Level % Change
- Bloomberg Barclays US Aggregate Level % Change



The music is playing, everyone is dancing, and nobody wants the parents to come home and spoil the party. Having said that ... BUM, BUM, BUUUUUUUUMMMMMM ... what about 2022? Can the Fed remain accommodative as the economy accelerates and prides begin to rise? What about the Fed's balance sheet? Will the infrastructure bill really be a stimulus? Do deficits not really matter? And COVID. Have we really cured the pandemic?

We shall see. It may be too early to answer these questions, but it is not too early to start planning. That is why we are here. That is actually what we love to do! We are brainstorming a game plan for 2022 before mom and dad come home and ruin the party. We will be prepared and so will you. Stay tuned.

Stay focused on your long-term objectives. Thank you for your trust and support.

INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	12.98%	45.98%	18.67%	17.42%
MSCI EAFE	7.94%	40.45%	6.78%	9.39%
BAR AGG BOND	-2.39%	3.95%	3.79%	2.64%

Source: Morningstar Direct



The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "growth" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

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