CETERA® INVESTMENT MANAGEMENT

2021 SECOND QUARTER OUTLOOK

Consumers Are Ready for Reopening

People around the globe are being vaccinated and there is a light at the end of the tunnel, driving stock investors' enthusiasm. With Congress passing a $1.9 trillion coronavirus relief bill, consumers will have more spending power.

At-a-Glance

Both economists and investors are optimistic as the world population is being vaccinated.

Savings rates in the United States hit all-time highs and remain elevated, so when the restrictions are lifted, consumers may be ready to spend.

The stock market is forward-looking and much of this optimism may already be factored in.

Risks remain elevated as bond investors are driving up bond yields, which increase borrowing costs for corporations and hurt stocks, especially technology stocks.

We continue to recommend diversifying across and within asset classes, along with a focus on long-term objectives and not getting caught up in day-to-day fluctuations and noise.

Overview

We all saw what government stimulus did to equity markets in 2009 and now 2020, so there is reason to be hopeful. Unfortunately, the government and central bank's help can't get workers back to work during a pandemic. Of the over 20 million jobs lost since the pandemic, only roughly half have been recovered. The good news is this could change soon as many parts of the country ease social distancing restrictions.

Further adding to optimism, households in the upper tax brackets have been saving money and those in the lower brackets are also about to have more to spend. But stock markets are forward-looking, and already trading at all-time highs, so how much of this optimism is already included in the price of these stocks?

In past outlooks, we have written a lot about high valuations which remain today. Stocks are trading at high prices relative to their earnings, suggesting much of this relief package and reopening is reflected in stock prices. This recovery is virus-dependent, creating unique risks like the risk of virus variants wreaking more havoc on mankind and economies. Additionally, bond investors are very aware that consumers are about to spend a lot more money as restrictions ease. These investors have been demanding higher bond yields, sending bond prices lower and jitters through stock markets as higher borrowing costs are not good for corporations. They fear the risk of higher inflation.

We have already seen manufacturing input costs rise and it makes sense to see inflation pick up soon. However, we think the rise in inflation will be somewhat short-lived and will pass. It is a big risk and we will be watching for signs of persistent inflation carefully. This fear of inflation may continue to be a headwind for longer-maturity Treasury bonds. Corporate bonds of both investment grade and below investment grade varieties are offering relatively low amounts of yields or compensation over their safer government counterparts, as investors are expecting few rating agency downgrades and corporate defaults. This makes them more sensitive to stock fluctuations.

With this economic and market backdrop, we continue to recommend being diversified across asset classes, sectors and countries and adhering to long-term risk and return objectives. We too are cautiously optimistic, but we are also aware of the risks and therefore more balanced in our outlook. Your financial professional can help you stay on track and keep your sights on your long-term plans.

About Cetera® Investment Management
Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

About Cetera Financial Group®
"Cetera Financial Group" refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), Cetera Financial Specialists LLC, and First Allied Securities, Inc. All firms are members FINRA / SIPC. Located at 200 N. Pacific Coast Highway, Suite 1200, El Segundo, CA 90245-5670.

Disclosures
Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary
The Russell 1000 index is a stock market index that tracks the top 1,000 stocks by market capitalization in the Russell 3000 Index, which represent about 90% of the total market capitalization of that index. The index, which was launched on January 1, 1984, is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

The Russell 1000 Growth index is a subset of the Russell 1000 as measured by three factors: sales growth, the ratio of earnings change to price, and momentum.

The Russell 1000 Value index is a subset of the Russell 1000 as measured by three factors: the ratios of book value, earnings, and sales to price.