

Global Economy

April was another strong month for risk assets as US Economic data continues to improve, including accelerating GDP growth, a pick-up in consumer spending, and consumer sentiment reaching a fresh pandemic high. The prospects for further government spending got another boost as President Biden proposed the \$1.8 trillion "American Families Plan", to be paid for with higher taxes on the wealthy. This brings total new spending proposals to \$4.1 trillion, though a long path through Congress remains for the proposed plans. While US virus cases are trending down, global cases reached new highs in April, highlighting the challenges that remain in fighting Covid, particularly in distributing vaccines to the developing world. Nonetheless progress on vaccines is paving a path to broader re-openings, which along with fiscal and monetary policy tailwinds points to continued strength for risk assets.

The Federal Open Market Committee met in April but did not change policy rates, a widely expected outcome. The statement noted the recent rise in inflation, but largely attributed this to transitory factors. The statement also noted the strengthening economy, but Chairman Powell repeatedly stated in his post-meeting press conference that conditions don't come close to "substantial further progress" that would warrant tapering. As such the Fed remains dedicated to its current rate of asset purchases of \$120 billion per month, and the bank's balance sheet expanded to \$7.8 trillion.

The first estimate of 1Q-21 real GDP indicated the US GDP expanded at a rate of +6.4% annualized. Improved consumer spending was by far the biggest contributor to growth, with business investment, government spending, and housing also contributing. Net exports and private inventory investment detracted from growth. The Atlanta Fed's quantitative GDP model currently forecasts continued robust growth of 11% in 2Q-21.

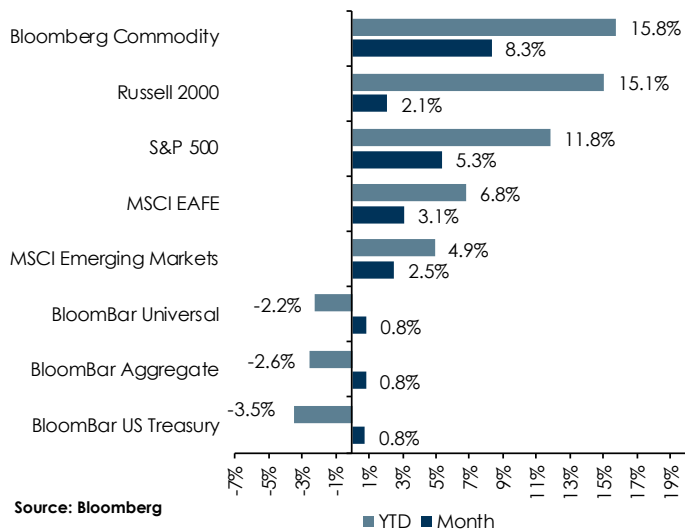
Weekly initial unemployment claims declined in April, falling below 500,000 for the first time since pandemic related job losses began. However, the monthly jobs report was downbeat as only 266,000 jobs were added, far less than the 1 million that had been forecast, and unemployment ticked up to 6.1%. Leisure and hospitality employment had the largest gains but was partially offset by declines in temporary help services, retail, and manufacturing. Labor force participation rose modestly to 61.7% but is still 1.6 percentage points lower than in February 2020. Core CPI rose to +1.6% year-over-year, while the FOMC's preferred measure, Core PCE, also rose to +1.8% year-over-year through March.

	Current	Dec-20
US GDP (%)	6.40	4.00
US Unemployment (%)	6.10	6.70
CPI (Core) (%)	1.60	1.60
Fed Funds (%)	0.00 – 0.25	0.00 – 0.25
10 Year UST Yld (%)	1.63	0.92
S&P 500 Div Yld (%)	1.38	1.57
S&P 500 P/E (Trailing)	30.04	29.92
Gold/oz.	\$1,767.70	\$1,895.10
Oil (Crude)	\$63.58	\$48.52
Gasoline (Nat'l Avg)	\$2.96	\$2.33
USD/Euro	\$1.20	\$1.22
USD/GBP	\$1.38	\$1.37
Yen/USD	¥109.31	¥103.25

Source: Bloomberg

Global Markets

Key Market Indices



Source: Bloomberg

Returns for major equity indices were positive in April amid increasing vaccinations, strong economic data, and better-than-expected earnings. The S&P 500, which represents large US-based entities, returned +5.3% for the month. All large cap sectors were positive for the second straight month, as Real Estate (+8.1%), Communication Services (+7.6%), and Consumer Discretionary (+7.1%) led the way while Energy (+0.5%) lagged. The Russell 2000, representing small cap stocks, returned +2.1% in April. Real Estate (+5.9%), Consumer Discretionary(+4.3%), and Communication Services (+3.4%) outperformed with Energy (-3.3%) the only negative sector. The recent trend of style rotation reversed as growth outperformed value across the market cap spectrum.

In the broad international developed markets, the MSCI EAFE index returned +3.1% for the month. IT (+6.2%), Materials (+4.9%) and Consumer Staples (+4.3%) had the highest returns while Energy (-1.5%), Health Care (-1.0%), and Utilities (-0.8%) lagged and were the only negative performers. Among developed countries, Belgium (+7.0%), Denmark (+6.9), and Finland (+6.9%) were the top performers, with the only negative returns coming from New Zealand (-7.1%), Portugal (-2.5%), and Japan (-1.5%). Most others were generally in the +3.0% to +5.0% range.

Emerging market stocks, as represented by the MSCI Emerging Markets index, underperformed their large cap developed market counterparts at +2.5% as several EM countries continue to struggle with the pandemic. Poland (+9.4%), Taiwan (+7.7%), and Argentina (+7.5%) were the best performers in the month while Peru (-7.0%), Colombia (-6.4%), and Pakistan (-2.7%) lagged.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, outperformed equities with a +6.5% return. The energy-related Alerian MLP also outperformed other equities at +7.2%. The near-month NYMEX oil returned 7.5% and is up a robust 238% for the past year. Gold was up +3.2% amid a broader rise in commodities prices, as the diversified Bloomberg Commodity index was up 8.3% and is up +49% for the past one-year.

Global Markets (continued)

US Treasury yields drifted lower across the curve in a counterintuitive move given the strong economic data. With the Fed continuing to stick to its dovish stance, the 10-year treasury yield finished 11 bps lower. The overall UST complex had a positive return for the month at +0.8%, with trailing one-year returns at -4.3%. Sovereign yields outside of the US were mixed but overall higher, and the global stock of negative yielding debt fell from \$13.3 trillion to \$13.0 trillion.

The BloomBar US Aggregate Bond index narrowly outperformed risk-free US Treasuries on an absolute and duration-matched basis with a return of +0.8% in April. The 12-month performance has turned negative with a -0.3% return. Corporate supply was heavy but down from the previous month, and demand was robust, pushing spreads 3 bps tighter. With lower US Treasury yields and tighter spreads, the benchmark's yield-to-worst fell 10 bps to 1.51%.

The BloomBar 1-15-Year Municipal index returned +0.6% in April. Issuance remained heavy but demand was also strong on the prospects of higher capital gains and income taxes included in the Democrat's spending proposals. Near all-time lows, municipal/treasury ratios tightened further, with the 10-year moving from 62% to 60%. Muni outlooks continue to improve on the strength of federal government spending and reopening, with Moody's upgrading the Mass Transit sector from negative to stable. Transportation and Infrastructure overall would be in line for further gains from the American Jobs Plan, should it make its way through Congress.

The BloomBar US Corporate High Yield index returned +1.1% for the month. Supply remained heavy but was down from last month's record issuance. Demand from yield-seeking investors supported spreads as did default outlooks, with upgrades outpacing downgrades for the fifth month in a row. Consequently spreads tightened 19 bps to 291 bps, hitting a 14-year low of 290 bps earlier in the month. All-in yields declined 24 bps to 3.99%. A weaker USD helped unhedged international bonds outperform, and Emerging Market debt in particular had strong returns in April.

Selected Bond Yields

10 Year Sovereign Bond Yields (%)		
	Current	Dec-20
Japan	0.09	0.02
Germany	-0.20	-0.57
France	0.16	-0.34
United Kingdom	0.84	0.19
Spain	0.47	0.04
United States	1.63	0.92
Italy	0.90	0.54
Mexico	6.89	5.53
Brazil	9.12	6.91

Source: Bloomberg

Indices Report (Periods Ending April 30, 2021)

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
Equity							
S&P 500	5.34	11.84	45.98	18.67	17.42	14.17	10.30
Russell 1000	5.38	11.61	49.48	19.24	17.76	14.23	10.46
Russell 1000 Growth	6.80	7.81	51.41	25.37	22.88	17.02	12.89
Russell 1000 Value	4.00	15.70	45.92	12.30	12.15	11.13	7.79
Russell 2500	4.00	15.36	71.95	16.76	16.50	12.32	9.79
Russell 2000	2.10	15.07	74.91	15.23	16.48	11.63	8.99
Russell 2000 Growth	2.18	7.16	69.15	17.97	18.89	12.86	10.23
Russell 2000 Value	2.02	23.62	78.96	11.68	13.54	10.10	7.51
Wilshire 5000 Cap Wtd	5.28	12.11	50.81	19.05	17.76	14.08	10.41
MSCI ACWI	4.41	9.30	46.40	13.91	14.45	9.76	7.68
MSCI ACWI ex US	3.00	6.71	43.56	7.48	10.34	5.22	4.81
MSCI EAFE	3.09	6.80	40.45	6.78	9.39	5.72	4.47
MSCI EAFE Local Currency	1.34	9.17	31.70	6.46	9.34	7.94	4.58
MSCI EAFE Growth	4.30	3.79	38.76	11.22	11.75	7.41	5.86
MSCI EAFE Value	1.99	9.75	41.69	2.05	6.78	3.86	2.94
MSCI Emerging Markets	2.50	4.90	49.21	7.91	12.91	3.96	5.99
Fixed Income							
ICE BofA ML 1-3 Yr Treasury	0.05	0.00	0.24	2.84	1.71	1.25	2.20
BloomBar US Aggregate	0.79	-2.61	-0.27	5.19	3.19	3.39	4.36
BloomBar Gov't Bond	0.74	-3.44	-4.16	4.63	2.42	2.80	3.83
BloomBar US Credit	1.06	-3.44	4.25	6.65	4.63	4.77	5.46
BloomBar 10 Yr Municipal	0.79	0.21	7.36	5.60	3.53	4.52	4.85
BloomBar US Corp High Yield	1.09	1.95	19.67	7.00	7.46	6.43	7.39
FTSE World Gov't Bond	1.15	-4.59	1.78	3.13	2.13	1.45	3.42
BloomBar Global Aggregate	1.26	-3.25	3.95	3.79	2.64	2.05	3.74
BloomBar Multiverse	1.31	-3.09	4.70	3.84	2.86	2.21	3.87
Real Assets							
NCREIF Property	0.00	1.72	2.63	4.90	5.81	8.83	7.01
NFI ODCE Net	0.00	1.89	1.48	3.97	5.26	8.67	5.34
FTSE NAREIT US Real Estate	8.06	17.64	37.47	11.78	7.50	8.80	6.97
Bloomberg Commodity	8.29	15.78	48.52	1.62	2.26	-5.85	-3.33
Cash and Equivalents							
US T-Bills 90 Day	0.00	0.03	0.11	1.45	1.18	0.63	1.15

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