



WINTHROP WEALTH

APRIL 2021 RECAP

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The stock market rally continued in April as the S&P 500 increased by +5.3% in the month, bringing the year-to-date total to +11.8%. The market keeps setting new records as the S&P crossed above 4,000 for the first time ever on April 1st and then hit 4,200 four weeks later on April 28th. After declining by nearly -34% during the pandemic selloff last year (2/19/20 to 3/23/20), the S&P 500 is up by over +90% from the low. We will keep pointing out that this is the latest example of the power of maintaining a long-term investment viewpoint.

The main pillars of the stock market rally are still in place as the vaccine rollout and fiscal stimulus will lead to strong economic and corporate earnings growth while the Fed is still committed to maintaining accommodative monetary policy. However, this year the stock market will begin to face headwinds caused by the economic recovery, including, higher interest rates (which will weigh on valuations that are already stretched), the possibility that the Fed may tighten earlier than expected, and the potential for higher taxes. We have been highlighting signs of froth and investor complacency for the last several months and now the Fed is acknowledging this occurrence. While we are certainly pleased with how the market has rebounded from the pandemic selloff, we know that stocks do not move in a straight line forever and volatility is inevitable.

From an asset allocation perspective, our equity holdings remain tilted toward high quality US stocks and our fixed income continues to focus on achieving ballast, stability, and income while accounting for short-term cash needs. We will continue to apply our time-tested investment process, based on risk management, asset allocation, and security selection, to utilize any volatility as an opportunity to reposition portfolios.

As we have done in the past, we will provide an update on the major factors driving the market:

Covid-19: Data on the coronavirus in terms of daily cases, hospitalizations, and vaccine distribution continues to improve. **Vaccine Distribution:** According to the CDC, over 308 million doses of the vaccine have been delivered with over 240 million administered. About 145 million people have received at least one dose while over 100 million are fully vaccinated (40% of population older than 18). At the end of the month, the US was administering about 2.5 million doses per day. Thus far, nearly 97% of the administered doses were from Pfizer and Moderna. The single-dose Johnson and Johnson vaccine was paused during the month due to several rare cases of blood clots but has since resumed. The US should have all the vaccine doses it needs from just Pfizer and Moderna, and in the next few months there may be five different shots approved for emergency use authorization.

Monetary Policy: The April FOMC meeting was relatively uneventful as the Fed did not make any changes to their current policy. While the Fed seems pleased with how the economy has recovered from the pandemic, they are still not ready to tighten their ultra-accommodative policies. In a recent 60 Minutes interview, Fed Chair Powell stated that, "I'm in a position to guarantee that the Fed will do everything we can to support the economy for as long as it takes to complete the recovery." Our sense is that the Fed will begin to tighten policy later this year with the first step being to taper their quantitative easing program.

Please see our [Client Question of the Month on The Federal Reserve](#), which details the importance of the Fed's policies and impact the FOMC has on the economy, interest rates, and stock prices.

Fiscal Stimulus: After Congress passed the \$1.9 trillion American Rescue Plan in March, the Biden administration immediately pivoted to additional fiscal stimulus proposals, specifically, the American Jobs Plan (~\$2.5 trillion) and the American Family Plan (~\$1.8 trillion). Unlike previous stimulus packages, the latest plans include corresponding tax increases. The administration is proposing increases to the corporate, individual, and capital gains rates as well as additional funding to the IRS to curtail tax evasion. Keep in mind that these are currently just proposals, the majority in Congress is razor-thin and any bill will need either all Democrats to vote in favor or bipartisan support. Some Democratic Senators have already expressed concerns over the magnitude of tax increases. We expect further negotiations and for the proposals to evolve over the next several weeks.

We also want to remind everyone that taxes were already scheduled to increase. Most of the individual and estate tax provisions as part of the Tax Cuts and Jobs Act (TCJA) of 2017 are set to expire after 2025. Individual tax rates are set to effectively return to where they were pre-TCJA. Keep in mind that the tax code evolves – there have been plenty of tax changes in the past and there will be more in the future.

As part of our comprehensive financial planning process, we provide tax analysis and minimization strategies as well as cash flow management. We will analyze your past tax returns and help estimate your current year tax situation so that we can proactively introduce and implement strategies that best fit your unique circumstances.

Economic Data: The US economy grew by a +6.4% seasonally adjusted annual rate in the first quarter, pushing nominal GDP above its pre-pandemic level. The current consensus estimate for 2021 GDP growth now stands at +6.3%. **Consumer Spending:** According to high frequency data, consumer spending has now reached about 105% of its pre-virus level, up from an April 2020 bottom of 82% (Goldman Sachs). Consumer spending data is critical as it drives about 70% of GDP. **Labor Market:** The latest Bureau of Labor Statistics (BLS) employment report (March) showed an increase of +916,000 jobs with the unemployment rate declining to 6.0%. The labor market is the area of the economy with the most ground to make up as about 8.4 million jobs were lost since the pandemic started. **Going Forward:** We are starting to see evidence that the vaccine rollout is heating up the labor market and expect that the next several employment reports will be very strong. The economy looks poised to grow at the fastest rate since 1984.

MARKET RETURNS

US Equity										
Index	April	YTD 2021	2020	2019	2018	2017	3-Year	5-Year	10-Year	20-Year
S&P 500	5.34%	11.83%	18.39%	31.48%	-4.39%	21.82%	18.84%	17.40%	14.17%	8.27%
Russell 3000	5.15%	11.82%	20.88%	31.01%	-5.25%	21.12%	19.07%	17.65%	14.05%	8.62%
Dow Jones Industrial Average	2.78%	11.30%	9.72%	25.34%	-3.48%	28.11%	14.90%	16.46%	12.94%	8.44%
Nasdaq	5.43%	8.55%	45.06%	36.74%	-2.81%	29.73%	26.58%	25.29%	18.58%	10.90%
S&P 400	4.50%	18.58%	13.65%	26.17%	-11.10%	16.23%	15.09%	15.08%	12.15%	10.23%
Russell 2000	2.10%	15.06%	19.93%	25.49%	-11.03%	14.63%	14.87%	16.44%	11.75%	9.38%
Russell 1000 Growth	6.80%	7.81%	38.49%	36.39%	-1.51%	30.21%	25.34%	22.86%	17.03%	9.19%
Russell 1000 Value	4.00%	15.69%	2.78%	26.52%	-8.28%	13.64%	12.66%	12.13%	11.14%	7.60%
International Equity										
MSCI Index	April	YTD 2021	2020	2019	2018	2017	3-Year	5-Year	10-Year	20-Year
EAFE	3.01%	6.59%	7.82%	22.01%	-13.79%	25.03%	6.46%	8.87%	5.14%	5.19%
Europe	4.63%	9.51%	7.89%	23.20%	-16.90%	28.07%	5.79%	9.53%	4.31%	4.61%
Japan	-1.52%	0.02%	14.48%	19.61%	-12.88%	23.99%	5.83%	9.13%	6.81%	3.61%
China	1.39%	0.96%	29.49%	23.46%	-18.88%	54.07%	8.83%	16.45%	7.23%	11.11%
Emerging Markets	2.49%	4.83%	18.31%	18.42%	-14.57%	37.28%	7.91%	12.49%	3.56%	9.89%
ACWI ex US	2.94%	6.54%	10.65%	21.51%	-14.20%	27.19%	7.21%	9.82%	4.67%	5.91%
US Fixed Income										
Bloomberg Barclays Index	April	YTD 2021	2020	2019	2018	2017	3-Year	5-Year	10-Year	20-Year
Aggregate	0.79%	-2.61%	7.51%	8.72%	0.01%	3.54%	5.26%	3.19%	3.38%	4.55%
Treasury Bills	0.00%	0.02%	0.54%	2.21%	1.83%	0.81%	1.37%	1.11%	0.58%	1.33%
Corporates	1.11%	-3.59%	9.89%	14.54%	-2.51%	6.42%	7.04%	4.85%	4.96%	5.68%
Securitized MBS/ABS/CMBS	0.57%	-0.61%	4.18%	6.44%	0.99%	2.51%	4.27%	2.58%	2.84%	
High Yield	1.09%	1.95%	7.11%	14.32%	-2.08%	7.50%	7.00%	7.46%	6.42%	7.66%
Munis	0.84%	0.48%	5.21%	7.54%	1.28%	5.45%	5.30%	3.51%	4.43%	4.69%
US Equity Sectors										
Index	April	YTD 2021	2020	2019	2018	2017	3-Year	5-Year	10-Year	20-Year
Technology	5.26%	7.34%	43.89%	50.29%	-0.29%	38.83%	30.10%	30.37%	20.80%	10.31%
Real Estate	8.29%	18.06%	-2.17%	29.00%	-2.23%	10.85%	15.43%	10.02%	8.51%	
Industrials	3.59%	15.42%	11.05%	29.32%	-13.32%	21.01%	15.03%	14.29%	12.30%	7.89%
Energy	0.59%	31.61%	-33.68%	11.81%	-18.10%	-1.01%	-8.03%	-2.27%	-1.52%	4.74%
Consumer Discretionary	7.10%	10.43%	33.30%	27.94%	0.82%	22.98%	21.86%	19.45%	17.80%	10.33%
Communication Services	7.85%	16.57%	23.61%	32.69%	-12.53%	-1.25%	23.26%	12.30%	11.06%	5.20%
Consumer Staples	2.21%	3.38%	10.75%	27.61%	-8.39%	13.49%	15.71%	8.96%	11.29%	8.97%
Utilities	4.28%	7.24%	0.52%	26.35%	4.11%	12.10%	12.98%	10.38%	11.29%	6.36%
Materials	5.35%	14.91%	20.73%	24.58%	-14.70%	23.84%	16.02%	14.39%	9.86%	9.25%
Financials	6.57%	23.52%	-1.76%	32.09%	-13.04%	22.14%	12.62%	16.30%	12.81%	4.64%
Health Care	3.96%	7.27%	13.45%	20.82%	6.47%	22.08%	16.66%	13.83%	15.20%	8.59%
Calendar Year Returns						Annualized Returns				

DISCLOSURES:

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe*. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market. With 78 constituents, the index covers approximately 85% of the Indian equity universe.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa, Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.