MONTHLY MARKET UPDATE
April 2021

OPAL WEALTH ADVISORS

A backdrop of robust global economic data, strong Q1 earnings reports, and a retreat (albeit uneven) of the Covid pandemic produced broad based strength across the financial markets in April. After lagging January through March, growth stocks benefited from a break in the rising interest rate dynamic of the first quarter. Commodities and international equities both benefited from a weaker USD and an improving global growth outlook due to stabilizing Covid trends and a continuation of global fiscal/monetary stimulus. From a risk asset perspective, market participants seem to be looking past pandemic dynamics toward herd immunity and re-opening economies. April's strength across global economies and stock markets coupled with declining interest rates seem somewhat at odds with one another unless you view the bloodbath in Q1 bond markets as perhaps having gone a bit too far. Overall, monetary and fiscal policies around the world remained very accommodative with some indications (futures markets, China, Canada) that moves toward policy normalization may not be too far away.

During April, the S&P 500 returned 5.2%, growth stocks outperformed value stocks, and international stocks were up approximately 3%. Interest rates and bond markets were fairly benign. U.S. rates declined slightly as 10yr UST yields fell from 1.74% to 1.65% and 2yr UST yields declined from 0.92% to 0.86%. Commodities jumped 8.3% with participation across energy, agricultural, industrial metals, and precious metals. Currency markets saw the USD resume its weakening pattern, down 2.09%, after a countertrend rally during the first quarter.

Market Anecdotes

- Corporate earnings were very much in focus in April. With 88% of the S&P 500 having reported earnings, FactSet has the beat rate at 86% and beat margin at 22.8%, both very elevated. Blended earnings and revenue growth are tracking at 49.4% and 10% respectively with elevated beat rates and beat margins on revenue as well.
- This year is now four months old, but already the S&P 500 has had over 25 record closing highs which qualifies as an above average full year and on pace to eclipse the best two years of record closing highs since 1950 (1964 and 1995).
- Bond markets were positive across the board in April after a historically bad first quarter. Both interest rates and credit spreads fell during the month. High yield spreads traded below 330bps while investment grade spreads were under 100. Bespoke noted investment grade spreads relative to interest rate risk (duration) are at their lowest level since 1997.
- The Recovery Act, the Made in America Plan, and the American Families Plan will establish the U.S. as the top fiscal spender globally. BCA's geopolitical group is assigning an 80% probability to passing the infrastructure plan and 50% to the Families plan.
- Details on The American Families Plan ($1.8t) released in April included several proposed tax law changes: top bracket from 37% to 39.6%, a near 2x increase on capital gains for incomes >$1mm, elimination of carried interest provision, and more investment in the IRS.
- The Made in American Plan is expected to hit 2022 earnings by approximately 8% as advertised but may be watered down to a 5% hit after compromise. BCA expects pressure to continue to raise corporate taxes well beyond 2022 given the current backdrop.
- U.S. government debt is projected to hit 102% of GDP this year—highest debt-to-GDP ratio since 1946. At the same time, the annual deficit is expected to reach $2.3t (10.3% of GDP)—the second-largest shortfall since 1945 behind 2020's record $3.1t (14.9% of GDP).
- The European Parliament formally approved a trade deal last month with Great Britain ending a five-year saga in a favorable outcome for the global economy.
- U.S. corporate bond issuance has started out on pace to outpace record issuance we saw in 2020 as companies race to lock in cheap financing.

- Per Case-Shiller, U.S. home prices are rising at their fastest 8-month clip on record (+11.97% YoY in February) with inventories low and new supply creation still depressed. We expect the overall housing market to continue to thrive while home prices will remain sensitive to both interest rates and the health of the economy.

- The April FOMC meeting and communique revealed nothing new although there are some voting members beginning to 'discuss the need to discuss' tapering and next steps. QE and low policy rates are going nowhere for the time being.

- Bank of Canada was the first developed market central bank to announce their intent to begin tapering bond purchases leading to speculation on policy rates and QE tapering of the Fed, ECB, BoE, and other central banks.

Economic Release Highlights

- The April jobs report came in significantly below consensus (266k vs 998k), taking the unemployment unexpectedly higher to 6.1%.

- U.S. April flash PMIs followed up an unusually strong March by topping 60+ level estimates across all three measures (62.2c, 60.6m, 63.1s).

- April flash PMIs for Japan (50.2c, 53.3m, 48.3d) and the Eurozone (53.7c, 63.3m, 50.3s) also beat across the board, posting healthy numbers across both manufacturing and service sectors.

- The April U.S. ISM Manufacturing and Services Indexes both missed consensus by a good margin (60.7 vs 65.0) and (62.7 vs 64.2) respectively. Supply chain issues are the more likely culprit than weakening demand.

- China's official and Caixin PMIs sent contradictory messages in April. The composite PMI declined to 53.8 from 55.3 on greater than anticipated slowdowns in both the manufacturing and non-manufacturing sectors while the Caixin manufacturing PMI surprised to the upside and accelerated to 51.9 from 50.6.

- First estimate of U.S. Q1 GDP came in near consensus estimates of +6.7%, registering a 6.4% QoQ annual rate. Personal consumption surged 10.7% QoQ AR which contributed significantly to the headline number.

- U.S. Personal Income surged 21.1% in March thanks to the fiscal stimulus package which pushed personal spending +4.2% MoM and personal savings rate back up to 27.6%.

- US core PCE price index grew 0.4% in March (up from 0.1% in February), bringing the YoY to 1.8% but March PCE inflation annualized to 4.9%.

- UofM Consumer Sentiment increased in April to 88.3 and Consumer Confidence jumped 12.7 points to 121.7 (113 forecasted), its highest reading since February 2020.

- April U.S. housing market data remained buoyant with the Housing Market Index hitting consensus of 83, Starts (1.739m v 1.620m) and Permits (1.766m v 1.750m) both beating expectations, and New (1,021M v 887K) and Existing (6.010M v 6.205M) sales somewhat mixed.

Positioning

A continuation of improving Covid trends globally alongside extraordinary fiscal spending and steadfast monetary accommodation lead us to believe the broad-based strength in the stock market will persist, albeit with more susceptibility to pockets and periods of volatility given what is currently priced in. While we remain constructive on growth stocks over the intermediate and long term, we feel the rally in cyclicals and value-oriented areas in place since last September will resume (after a pause in April) so long as economic growth and interest rates remain biased toward the upside. We are favoring developed market international equities relative to domestic equities given our downward biased view of the USD and likelihood of improving Covid trends in Europe becoming more pronounced as we move toward the middle and latter half of 2021. We remain neutral on credit risk in the bond market and are maintaining a short duration bias with a reminder to clients that duration remains one of the few and reliable hedges to equity market volatility. We do not feel the U.S. tax policy proposals are a significant concern at this early stage while the sizable government debt and deficits are reinforcing a weak dollar and sub-trend growth view over the longer term.

Equity	Level	1 Mo	3 Mo	YTD	1 Yr	3 Yr
Dow Jones	33875	2.53	13.52	11.30	42.12	14.52
NASDAQ	13963	7.06	7.01	8.55	58.30	26.72
S&P 500	4181	5.73	12.98	11.84	45.98	18.67
Russell 1000 Growth		8.27	8.61	7.81	51.41	25.37
Russell 1000 Value		3.56	16.77	15.70	45.92	12.30
Russell 2000		3.26	9.55	15.07	74.91	15.23
Russell 3000		5.68	12.33	11.83	50.92	18.95
MSCI EAFE		2.75	7.94	6.80	40.45	6.78
MSCI Emg Mkts		2.27	1.76	4.90	49.21	7.91
Fixed Income	**Δ Yield**	**1 Mo**	**3 Mo**	**YTD**	**1 Yr**	**3 Yr**
US Aggregate	2.06	(0.08)	(0.10)	(0.09)	(0.48)	(0.39)
High Yield	4.89	(0.08)	(0.25)	(0.22)	(1.02)	(0.70)
Municipal	1.89	(0.03)	(0.02)	(0.03)	(0.27)	(0.33)

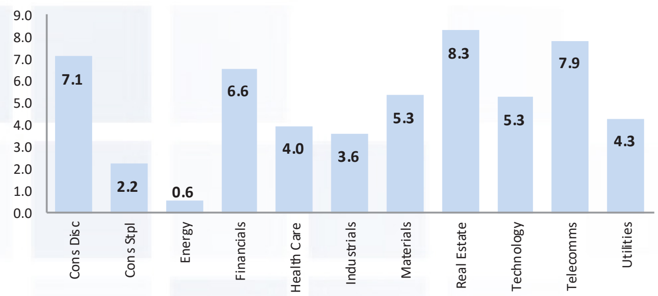
Commodities	4/30/21	2/28/21	11/30/20	8/31/20
Oil (WTI)	64.46	61.55	45.20	42.61
Gold	1767.70	1742.90	1762.60	1957.40
Currencies	**4/30/21**	**2/28/21**	**11/30/20**	**8/31/20**
USD/Euro ($/€)	1.21	1.21	1.20	1.19
USD/GBP ($/£)	1.38	1.39	1.33	1.34
Yen/USD (¥/$)	109.33	106.64	104.38	105.84
Treasury Rates	**4/30/21**	**2/28/21**	**11/30/20**	**8/31/20**
3 Month	0.01	0.04	0.08	0.11
2 Year	0.16	0.14	0.16	0.14
5 Year	0.86	0.75	0.36	0.28
10 Year	1.65	1.44	0.84	0.72
30 Year	2.30	2.17	1.58	1.49

Style Returns

MTD

	V	B	G
L	4.00	5.38	6.80
M	4.84	5.10	5.62
S	2.02	2.10	2.18

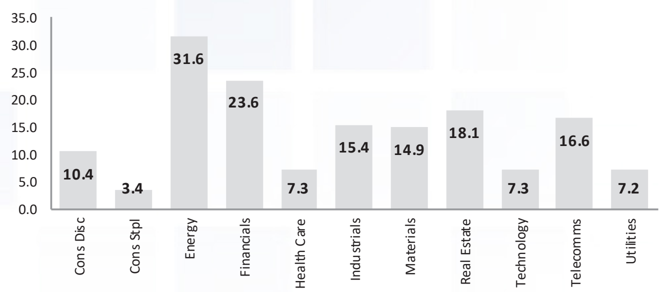
S&P 500 Sector Returns



MTD

YTD

	V	B	G
L	15.70	11.61	7.81
M	18.52	13.65	5.02
S	23.62	15.07	7.16



YTD

OPAL WEALTH ADVISORS

Opal Wealth Advisors / 2 Jericho Plaza / Suite 208 / Jericho, NY 11753 / t. 516.388.7980 / f. 516.388.7968 / **opalwealthadvisors.com**