BECKER WEALTH MANAGEMENT, LLC

A WEEKLY NEWSLETTER PUBLICATION OF BECKER WEALTH MANAGEMENT

US Stocks deliver their best week since February.

The sequel to last week's Fed induced equity market selling pressure saw U.S. stocks deliver their best week since February.

Primary market drivers were several Federal Open Market Committee (FOMC) speaking engagements (attempting to calm down markets) and preliminary indications of a bipartisan compromise on the infrastructure bill in DC. The push and pull over the uncertain outlook for interest rates, inflation, and Fed policy saw the S&P 500 dip below its 50-day moving average followed by a strong response last week which saw the S&P 500 close the week at a new record high on gains of 2.74%, leaving the index up over 14% YTD. Leadership came from the cyclicals (energy, financials, industrials) while rate sensitive utilities, consumer staples, and REITs lagged. True to the 'risk on' nature of the market last week, we saw interest rates rise, the curve steepens, commodities rally, and the U.S. Dollar weaken slightly.

Market Anecdotes

- Early week trading delivered a clear unwind of the prior week's post FOMC meeting market action with a savage steepening in the bond market and a big recovery rally across cyclicals, small caps, and lower valuation segments in the equity market.
- Bespoke noted Monday's rally broke a record 10 consecutive days of open to close declines in the DJIA - we've seen an old-fashioned grind the past couple of weeks.
- Robust global growth indications and a big miss on the EIA US crude oil stockpile (-7.614m vs -3.5m) which left supplies at their lowest level since March 2020 put a charge into the commodity complex.
- There were thirteen Fed speaking engagements last week with typical walk it back - walk it forward messaging. Highlights included tapering in the fall (Daly), no 'preemptive' rate hikes (Powell), upside risk to inflation (Bullard), and QE out of alignment with the economy (Kaplan).
- The 2 year 1 day Overnight Index Swaps (OIS) forward relative to the 5year 1 day OIS forward is suggesting last week's Fed narrative may be a hawkish policy mistake as opposed to endorsing the narrative or indicating a dovish policy error.

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- With the focus on the Fed and other global central banks, a snapshot of central bank balance sheets serves a nice reminder of the landscape they are navigating collectively with nearly $26t in combined assets representing approximately 38% of the global aggregate bond market.
- The Bank of Europe struck a dovish tone and made no changes to policy, committing to no tightening until there is a clear need and the People's Bank of China (PBoC) boosted repo liquidity injections. Robust German and French sentiment readings lent more credence to a rally in Europe.
- Supreme court of the United States ruling on the Fannie May and Freddie Mac (FNMA) bailout which will leave the private company in government hands (conservatorship) surprised market participants. The ruling enabled the Administration to replace Mark Calabria Federal Housing Finance Agency (FHFA) director with Sandra Thompson as acting director.
- A bipartisan group of Senators reached a consensus on a $1.2t infrastructure package which includes $579b in new spending. President of the United States (POTUS) currently maintains he won't sign the bill without a reconciliation bill to meet additional Democratic spending priorities.
- The European Union is making up for stumbles out of the gate with its vaccination program accelerating every month, now treating at a rate 2x higher than the U.S. Cases of the delta variant in the United Kingdom have surged among unvaccinated persons.
- A long term look at the Case-Shiller Real National HPI shows the stunning housing market crash surrounding the GFC followed by the sharp recovery over the past nine years.

Economic Release Highlights

- May's Personal Income and Outlays report revealed relatively flat consumer spending (-2.0%) but spending on services increased nicely and April's tally was revised higher. Personal income fell again in May but by only 2% following April's -13.1% fall from the March stimulus checks.
- Headline and core personal consumption expenditures (PCE) increased 3.9% and 3.4% respectively, the fastest pace for the core reading since 1992. The blend of higher prices and supply chain issues were clear.
- The May personal savings rate fell slightly to 12.4%, from 14.5% in April.
- The May U.S. Purchasing Managers' Index (PMI) report reflected a robust environment with the composite reading of 63.9. Manufacturing (62.6 vs 61.5) exceeded consensus while Services (64.8 vs 69.8) fell short.
- The May European Zone PMI report (C,M,S) of 59.2, 63.1, 58.0 exceeded consensus estimates on both manufacturing and services fronts, taking the composite above estimates of 58.8.
- May New Home Sales dropped unexpectedly again in May (769k vs 868k)
- May Existing Home Sales, after slowing and missing the past three months, came in above expectations (5.8mm v 5.715mm) at -0.9% MoM and 44.6% YoY growth rates.
- May Durable Goods Orders rose 2.3%, within consensus range and slightly above the 2.0% estimate.

INSIGHT

MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr
Dow Jones	34434	3.44	0.52	6.04	13.56	36.43
NASDAQ	14360	2.36	5.21	10.84	11.79	44.41
S&P 500	4281	2.76	2.33	9.89	14.79	41.01
Russell 1000 Growth		2.51	5.32	13.43	11.89	41.84
Russell 1000 Value		3.24	0.23	6.70	17.55	45.31
Russell 2000		4.33	5.93	7.18	18.71	66.96
Russell 3000		2.97	2.96	9.81	14.88	44.85
MSCI EAFE		1.51	0.59	8.01	10.89	35.10
MSCI Emg Mkts		1.42	2.85	7.74	7.87	40.53
Fixed Income	**Δ Yield**	**1 Wk**	**1 Mo**	**3 Mo**	**YTD**	**1 Yr**
US Aggregate	1.95	0.01	(0.04)	(0.18)	(0.19)	(0.51)
High Yield	4.66	(0.03)	(0.13)	(0.35)	(0.46)	(1.07)
Municipal	1.85	0.01	(0.02)	(0.06)	(0.06)	(0.21)

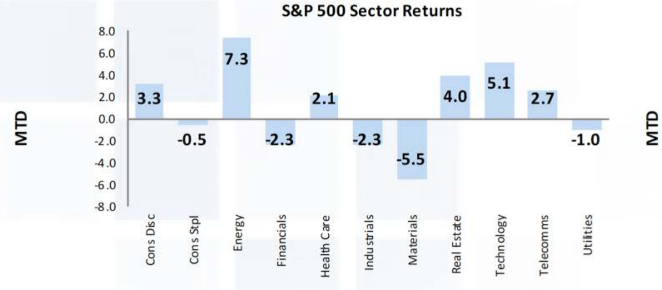
Commodities	Current	3/31/21	12/31/20	9/30/20
Oil (WTI)	73.64	59.19	48.35	40.05
Gold	1773.10	1773.10	1887.60	1886.90
Currencies	**Current**	**3/31/21**	**12/31/20**	**9/30/20**
USD/Euro ($/€)	1.19	1.17	1.23	1.17
USD/GBP ($/£)	1.38	1.30	1.37	1.29
Yen/USD (¥/$)	110.21	110.21	103.19	105.58
Treasury Rates	**Current**	**3/31/21**	**12/31/20**	**9/30/20**
3 Month	0.06	0.03	0.09	0.10
2 Year	0.28	0.16	0.13	0.13
5 Year	0.92	0.92	0.36	0.28
10 Year	1.54	1.74	0.93	0.69
30 Year	2.16	2.41	1.65	1.46

Style Returns

MTD

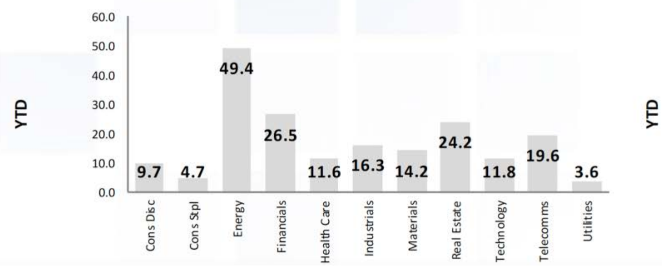
	V	B	G
L	-0.72	2.21	5.24
M	-0.31	1.92	6.51
S	1.18	2.95	4.94

S&P 500 Sector Returns



YTD

	V	B	G
L	17.55	14.62	11.89
M	20.48	16.77	10.15
S	28.96	18.71	9.24



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