

BECKER WEALTH MANAGEMENT, LLC

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Global factors set stage for mixed market results.

Global central banks, new CoVid strains, and interest rate volatility were on stage last week resulting in market action like the past several weeks with some consolidation across global equity markets and yields grinding higher.

10- and 30-year UST yields have now increased seven consecutive weeks. Large cap U.S. indices did mark new record highs early in the week but succumbed to macro anxieties as the week ended. Commodity markets traded lower driven by a selloff in oil prices while the USD benefited from the risk averse tone and renewed anxiety surrounding new Covid strains prevailing in several international regions.

Market Anecdotes

- Strategas highlighted some 2021 'knowns' (big stimulus, big liquidity, big growth, big corporate earnings) and 'unknowns' (inflation, interest rates, taxes) with more direct implications on stock price valuations surrounding the later.
- Include us in the group of investors who are pretty surprised that a -12% correction in the Nasdaq 100 left the rest of the market basically untouched. Long duration cash flow equities and bonds are the only real casualties of the move higher in yields thus far.
- Bespoke pointed out the consolidation we have seen in some of the high weight/high profile tech names has compressed their valuations to interesting levels including FB (early 2018), AAPL (minus 6 turns in two months), and AMZN (early 2014).
- Strategas noted the recent rise in yields has begun to change the complexion of the equity risk premium and relative yields of stocks and bonds.
- The March Federal Open Market Committee (FOMC) meeting held the market's attention last week with a clear dovish tone



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and no expectations of rate hikes until 2024 (dot plot). Powell also made clear that both the mix and size of Quantitative Easing is appropriate and views near term inflation as slow moving and transitional.

- The Fed, Bank of England, and Bank of Japan left policy rates and Quantitative Easing programs unchanged as they remained in sync on the need for policy accommodation. The Bank of Japan did lay some groundwork for future policy tightening by increasing the +/- band around 0% and removed explicit ETF guidance.
- The Fed announced it would resume its supplementary leverage ratio ('SLR') requirement on 3/31/21 as scheduled. The SLR was suspended at the beginning of the pandemic allowing banks to exclude UST in calculating their SLR.
- European stocks marked new 1-year highs early last week, but Chinese equities struggled on news of contentious U.S.-Sino trade discussions.
- The European Union is already taking the UK to court over Northern Ireland protocol breaches leaving virtually nobody surprised that implementation of the Brexit agreement is hitting snags.
- Mobility in the U.S. continues to im-

prove in lockstep with the vaccine rollout. The Dallas Fed Mobility index and Google search trends are both exhibiting encouraging trends.

- Covid trends in the EU are not looking as positive as the U.S. with the new strains outpacing vaccine rollout. Germany declared a 'third wave' and Italy is set for renewed lockdowns.

Economic Release Highlights

- February Retail Sales fell well short of expectations (-3.0% vs -0.5%) after an extremely robust January result.
- February Industrial production came in below expectations (-2.2% vs 0.5%) as did manufacturing output (-3.1% vs 0.6%).
- March Housing Market Index stayed very elevated and near consensus forecast (82 vs 83).
- February Housing Starts (1.421M) and Permits ((1.682M) both came in below forecasts but have been climbing sharply in recent months.
- Both March Empire State (17.4 vs 14.8) and Philly Fed (51.8 vs 24.0) Manufacturing indices came in high and handily outpaced consensus forecasts.

INSIGHT

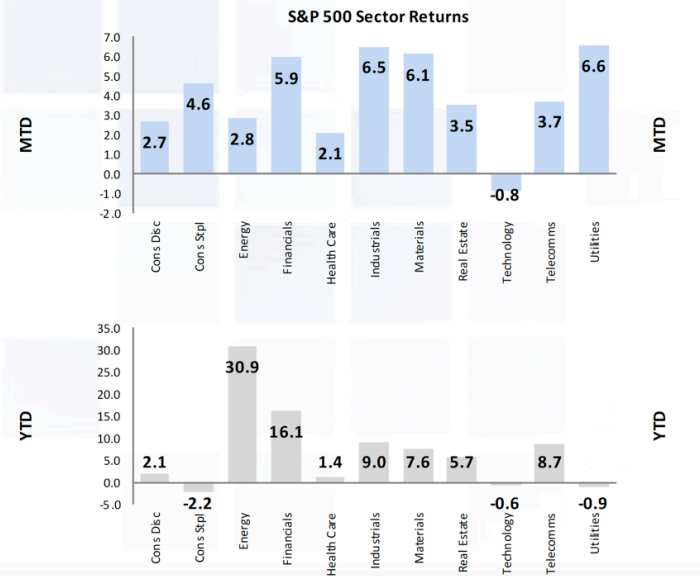
MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	12/31/20	9/30/20	6/30/20
Dow Jones	32628	(0.45)	3.83	8.64	7.12	65.98	Oil (WTI)	65.36	48.35	40.05	39.27
NASDAQ	13215	(0.77)	(4.69)	3.77	2.70	86.32	Gold	1704.80	1887.60	1886.90	1768.10
S&P 500	3913	(0.74)	0.30	5.91	4.55	65.25					
Russell 1000 Growth		(0.87)	(4.61)	(0.05)	(0.95)	72.31	Currencies	Current	12/31/20	9/30/20	6/30/20
Russell 1000 Value		(0.79)	4.16	11.85	10.50	66.64	USD/Euro (\$/€)	1.19	1.23	1.17	1.12
Russell 2000		(2.76)	1.02	16.39	16.04	118.70	USD/GBP (\$/£)	1.40	1.30	1.29	1.24
Russell 3000		(0.97)	(0.24)	6.37	5.31	73.48	Yen/USD (¥/\$)	108.44	108.44	105.58	107.77
MSCI EAFE		0.61	0.26	5.19	4.36	65.69	Treasury Rates	Current	12/31/20	9/30/20	6/30/20
MSCI Emg Mkts		(0.80)	(6.38)	5.89	3.84	78.75	3 Month	0.01	0.09	0.10	0.16
Fixed Income	ΔYield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	2 Year	0.16	0.13	0.13	0.16
US Aggregate	2.14	0.01	0.00	(0.01)	(0.00)	(0.60)	5 Year	0.90	0.36	0.28	0.29
High Yield	5.04	0.02	(0.00)	(0.12)	(0.08)	(1.67)	10 Year	1.74	0.93	0.69	0.66
Municipal	2.06	0.01	0.01	0.01	0.01	(0.37)	30 Year	2.45	1.65	1.46	1.41

Style Returns

	V	B	G
L	5.16	2.47	-0.18
M	5.61	2.79	-2.52
S	8.55	4.00	-0.46

	V	B	G
L	10.50	4.57	-0.95
M	13.53	8.22	-1.18
S	24.99	16.04	7.78



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