

## Weekly Review

Despite mostly positive economic indicators and strong earnings results, the major stock indexes were slightly negative. For the S&P 500 and the Dow, the modest setback snapped a four-week string of gains that had pushed the indexes to record highs.

Earnings season continued to exceed expectations. Profits at companies in the S&P 500 were expected to rise 33.8% as of Friday, based on the roughly one-quarter of companies that have reported so far and forecasts for upcoming reports, according to FactSet. That rate would mark the highest year-over-year earnings growth since the third quarter of 2010, when growth was 34.0%.

U.S. stocks' biggest move of the week came on Thursday, when the S&P 500 dropped more than 1% in less than an hour. The drop was triggered at least in part by reports that President Biden is considering a proposal to sharply increase capital gains tax rates for wealthy taxpayers—news that added to what had already been a choppy week for stocks.

The U.S. government's initial estimate of first-quarter GDP growth is scheduled to be released Thursday. Most economists are expecting that GDP growth accelerated from the fourth quarter's 4.3% rate as the economy continues to recover from the pandemic.

## This Week in Markets

**Monday:** Durable goods orders, U.S. Census Bureau

**Tuesday:** U.S. Federal Reserve Board opens two-day policy meeting; S&P/Case-Shiller 20-City Composite Home Price Index; Consumer Confidence Index, The Conference Board

**Wednesday:** First-quarter GDP, advance estimate, U.S. Bureau of Economic Analysis; Weekly unemployment claims, U.S. Department of Labor; Pending home sales, National Association of Realtors

**Thursday:** Retail sales, business inventories, U.S. Census Bureau; Weekly unemployment claims, U.S. Department of Labor; Industrial production and capacity utilization, U.S. Federal Reserve

**Friday:** Personal income and consumer spending, U.S. Bureau of Economic Analysis; University of Michigan Index of Consumer Sentiment

## Thought of the Week

Last week provided a first look at the April PMI data for the major developed market economies. Manufacturing and services PMIs came in at 63.3 and 50.3, respectively, for the euro area and 53.3 and 48.3, respectively, for Japan. While manufacturing activity continues to look robust, the continued recovery in services on the back of vaccination efforts and the gradual lifting of social distancing measures should lead to accelerating growth over the remainder of the year. Although Japan's services PMI came in below 50 at 48.3, household spending on services continued to improve on a year-over-year basis, indicating that services is indeed on the road to recovery. Similar to Europe and Japan, U.S. April flash PMI data came in above 50, with manufacturing and services PMIs rising relative to the prior month. Unsurprisingly, this improvement in economic data has coincided with solid earnings results, particularly among the industries hit hardest by the pandemic like financials and airlines. Looking ahead, a steeper yield curve and improving credit metrics have eased some pressure on bank margins, and while the airlines are still posting net losses, increased mobility has led most airlines to project they will begin to break even by the summer. Broadly, an environment of accelerating economic growth and rising rates should support the more cyclical parts of the market.

## Returns

As of Date: 4/22/2021

	1 Week	QTD	YTD	1 Year
S&P 500	-0.84%	4.15%	10.59%	50.21%
Dow Jones Industrial Average	-0.63%	2.59%	11.09%	47.13%
S&P SmallCap 600	-1.34%	0.53%	18.87%	92.31%
MSCI EAFE	0.25%	3.83%	7.44%	47.53%
MSCI Emerging Markets	0.05%	1.99%	4.32%	54.07%
Barclays US Agg Bond	-0.04%	1.02%	-2.39%	0.10%
Barclays US Corp High Yield	-0.05%	0.80%	1.65%	19.85%
Bloomberg Commodity	1.63%	5.43%	12.72%	45.11%
S&P GSCI Crude Oil Spot	-3.28%	3.84%	26.61%	345.79%
S&P GSCI Gold Spot	0.86%	3.87%	-5.97%	2.51%
Morningstar Conservative Index	-0.06%	1.66%	0.03%	11.18%
Morningstar Moderate Index	-0.19%	2.63%	4.85%	31.49%
Morningstar Aggressive Index	-0.27%	3.44%	9.26%	52.15%
Russell 1000 TR USD	-0.87%	4.26%	10.42%	54.36%

## Themes, Risks, & Opportunities

4Q20 real GDP grew at a 4.3% q/q seasonally adjusted annual rate, with increases in consumption, housing, business fixed investment, inventories and exports.

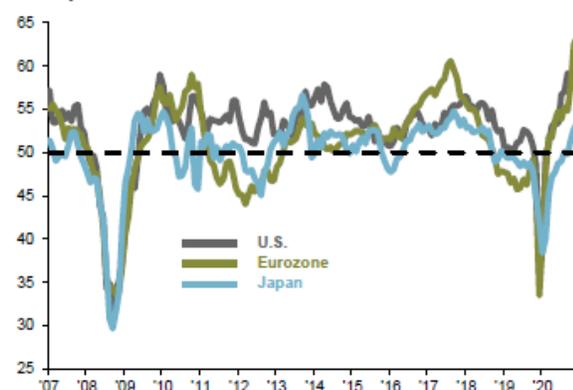
U.S. equity investors can benefit from the recovery with cyclical exposure.

Fixed income investors may maintain short duration in a rising rate environment. Take care not to over-reach on credit exposure.

The 1Q21 earnings season has kicked off with 118 companies having reported (23.7% of market cap). Current estimates for 1Q21 earnings is \$42.33. 1Q21 estimates are elevated as vaccine distribution, robust economic activity and further fiscal stimulus have boosted consumer spending.

## CHART OF THE WEEK

Global Purchasing Managers' Index for Manufacturing Monthly



## Weekly Insight Disclosures

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