

Weekly Review

It was an uneven week for the major U.S. stock indexes, as the Dow climbed nearly 3%, the S&P 500 added more than 1%, and the NASDAQ fell more than 1%, with most of its weekly decline coming on Tuesday. The Dow and the S&P 500 both set records, eclipsing highs set less than a month earlier.

Friday's jobs report fell far short of expectations as the recent rollback of pandemic-related restrictions failed to provide much lift to the labor market. The economy generated 266,000 new jobs in April, far below economists' expectations for a gain of nearly 1 million. The unemployment rate rose from 6.0% to 6.1%.

First-quarter earnings continued to improve, and S&P 500 companies are now expected to report a cumulative 49% increase over last year's first-quarter results, according to FactSet. That's up from the roughly 25% gain that analysts had forecast at the start of earnings season. As of Friday, results were in from around 90% of S&P 500 companies.

Large-cap U.S. value stocks added to their run of year-to-date outperformance versus their large-cap growth counterparts, beating them by a wide margin for the week. A value stock benchmark climbed more than 2% while a growth benchmark fell nearly 1%.

This Week in Markets

Monday: No major reports scheduled

Tuesday: Job Openings and Labor Turnover Survey, U.S. Bureau of Labor Statistics

Wednesday: Consumer Price Index, U.S. Bureau of Labor Statistics; Federal budget, U.S. Department of the Treasury

Thursday: Weekly unemployment claims, U.S. Department of Labor

Friday: Retail sales, U.S. Census Bureau; Wholesale inventories, U.S. Census Bureau; University of Michigan Index of Consumer Sentiment, preliminary result; Industrial production and capacity utilization, U.S. Federal Reserve

Thought of the Week

The U.S. labor market added 266,000 jobs in April, a moderate improvement in employment but a sharp miss from consensus expectations. April was the one-year anniversary of the trough of the coronavirus pandemic recession, which saw jobs reduced by a record 22.4 million. April 2020 also saw the fastest wage growth in recent memory, with wages rising 8.2% y/y. The composition of the U.S. workforce sharply changed as a result of the pandemic, as millions of low-paid workers lost their jobs while relatively high-paid workers remained employed, telecommuting to work and even clocking in more hours than usual. This composition effect can help explain the spike in wages we saw in April 2020, but even when you remove this effect by holding sector weights and hours worked fixed at pre-pandemic levels, wage growth was much faster than average and remains above long-term trends. The U.S. has now recovered 63% of jobs lost from the pandemic and wage increases have remained robust, growing 0.7% m/m and 0.3% y/y in April. After adjusting for the underlying composition effect, we find that wages rose an impressive 8.0% in April on a percentage change over two years basis. While rising commodity prices and supply bottlenecks may cause inflation that is only transitory, robust wage increases may signal stickier inflation ahead. This is of crucial importance to bond investors, as sustained wage inflation could potentially pull forward the Fed's timeline for policy normalization.

Returns

As of Date: 5/6/2021

	1 Week	QTD	YTD	1 Year
S&P 500	-0.21%	5.87%	12.41%	49.99%
Dow Jones Industrial Average	1.45%	4.85%	13.54%	49.13%
S&P SmallCap 600	-0.12%	3.28%	22.11%	89.20%
MSCI EAFE	0.28%	4.34%	7.98%	45.53%
MSCI Emerging Markets	-1.71%	2.00%	4.33%	52.31%
Barclays US Agg Bond	0.38%	1.07%	-2.34%	0.56%
Barclays US Corp High Yield	0.23%	1.29%	2.15%	19.63%
Bloomberg Commodity	3.00%	11.30%	19.00%	51.24%
S&P GSCI Crude Oil Spot	-0.46%	9.38%	33.37%	152.58%
S&P GSCI Gold Spot	2.68%	5.83%	-4.19%	7.53%
Morningstar Conservative Index	0.35%	2.09%	0.46%	11.20%
Morningstar Moderate Index	0.01%	3.41%	5.65%	30.94%
Morningstar Aggressive Index	-0.38%	4.47%	10.35%	50.68%
Russell 1000 TR USD	-0.65%	5.47%	11.71%	52.80%

Themes, Risks, & Opportunities

1Q21 real GDP grew at a 6.4% q/q seasonally adjusted annual rate. Increases were broad based, with the exception of trade and inventories.

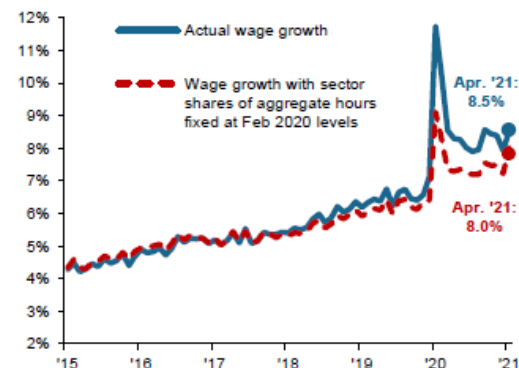
U.S. equity investors can benefit from the recovery with cyclical exposure.

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 been impressive, with 435 companies having reported (88.5% of market cap). Current estimates for 1Q21 earnings is \$47.04. Thus far, 86% of companies have beaten on EPS estimates, and 72% have beaten on revenue estimates.

CHART OF THE WEEK

Wage growth impressive despite labor composition changes
Avg. private hourly earnings, % change over two years



Weekly Insight Disclosures

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