Weekly Market Update

General Market News

- Rates increased modestly last week. The 10-year Treasury yield opened at 1.67 percent and closed at 1.71 percent. On Monday morning, the 30-year opened at 2.35 percent, down from last week's open of 2.38 percent. On the shorter end of the curve, the 2-year opened last week at 0.14 percent and increased to 0.18 percent on Monday.

- The Nasdaq Composite led the way last week. Communication services, consumer discretionary, and technology were among the top-performing sectors, as there was a slight reversing of the recovery trade that has been in place since the news of the Pfizer vaccine in November. Both Facebook and Alphabet were up more than 5 percent on the week. In consumer discretionary, Amazon was up more than 3.6 percent. The worst-performing sectors were consumer staples, health care, and energy. Markets seem optimistic about vaccine rollouts and Friday's strong jobs report. The switch from energy, industrials, and financials back to communication services, consumer discretionary, and technology is a trade worth watching to see if it gains momentum.

- On Monday, the February existing home sales report was released. The pace of existing home sales fell by 6.6 percent against forecasts for a more modest 3 percent decline. This drop was likely due in large part to the inclement weather during the month. On a year-over-year basis, however, existing home sales are up by 9.1 percent, highlighting the rebound we've seen since initial lockdowns were lifted last year. The increase in the pace of existing home sales over the past year has been largely driven by record-low mortgage rates and shifting home buyer preferences due to the pandemic. Looking forward, low levels of supply and rising mortgage rates and prices may serve as a headwind for significantly faster levels of existing home sales.

- On Tuesday, the Conference Board Consumer Confidence survey for March was released. Consumer confidence came in well above economist expectations, with the index rising from 90.4 in February to 109.7 in March against forecasts for a more modest increase to 96.9. This result echoed a similar surge in the University of Michigan consumer sentiment survey for the month and brought the index to its highest level in a year. March's results were driven by improved consumer views on the current economic situation, as well as heightened expectations for future growth. The continued vaccination progress and the tailwind from the most recent federal stimulus were likely the major drivers of the better-than-expected result. The report also showed signs that there is pent-up consumer demand, as the percentage of consumers who are planning to buy big-ticket items like houses, cars, and appliances in the next six months hit a

General Market News (continued)

multi-month high in February. Ultimately, this was an encouraging report that supports a potential rebound in consumer spending growth.

- On Thursday, the Institute for Supply Management (ISM) Manufacturing index for March was released. This widely followed gauge of manufacturer confidence rose from 60.8 in February to 64.7 in March against calls for a more modest increase to 61.5. This result brought the index to its highest level since 1983. This is a diffusion index, where values above 50 indicate growth, so this strong result bodes well for increased manufacturing output and spending over the upcoming months. Business confidence and spending have remained impressively resilient throughout the year, as the improving public health situation along with the multiple stimulus bills have helped support continued growth.

% Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	1.16	1.18	7.43	64.25
Nasdaq Composite	2.61	1.76	4.77	84.24
DJIA	0.25	0.52	8.85	60.84
MSCI EAFE	0.48	0.71	4.21	52.72
MSCI Emerging Markets	2.40	1.66	3.99	64.23
Russell 2000	1.50	1.51	14.40	116.75

Source: Bloomberg, as of April 2, 2021

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	0.00	–3.28	0.54
U.S. Treasury	–0.25	–4.20	–5.07
U.S. Mortgages	–0.12	–1.17	–0.26
Municipal Bond	0.09	–0.27	7.49

Source: Morningstar Direct, as of April 2, 2021

What to Look Forward To

On Monday, the ISM Services index for March was released. As was the case with manufacturer confidence, service sector confidence surged well past economist expectations during the month. The index rose from 55.3 in February to 63.7 in March, against calls for a more modest increase to 59. This result brought the index to its highest level since records began back in 1997. This swift rebound following a weather-related slump in February signals that reduced state and local restrictions helped spur a surge in business confidence going into the spring. The rise in confidence was supported by a strong increase in new orders for the service sector, highlighting strong levels of buyer demand. This is a diffusion index, where values above 50 indicate expansion, so this strong result is a good sign for business spending to finish out the quarter. Given the progress on the mass vaccination front and the anticipated tailwind from the recent federal stimulus bill, business confidence and spending are expected to remain in healthy expansionary territory over upcoming months.

On Wednesday, the February international trade report is set to be released. The trade deficit is expected to widen from $68.2 billion in January to $70.4 billion in February. The advance report on the trade of goods showed that both exports and imports declined during the month, as the February weather negatively affected manufacturing and trade. Exports of goods fell by 3.8 percent, an amount more than enough to offset a 1.4 percent decline in imports. If estimates hold, this report would bring the trade deficit to its largest monthly level on record. Despite the notable widening of the trade deficit throughout the pandemic, exports and imports are expected to return to growth in March. The moderating weather and improvements we've seen in manufacturing confidence and consumer demand during the month should support this growth. Nonetheless, trade is expected to serve as a modest headwind for overall economic growth during the first quarter.

Wednesday will also see the release of the minutes from the Federal Reserve's (Fed's) March meeting. The Fed lowered the federal funds rate to virtually zero last March, and there were no major changes to interest rates at this meeting, as expected. Still, although no major surprises were announced, the minutes will likely provide details regarding the Fed's views on the current economic recovery and the potential path of future rate hikes. The majority of Fed members do not expect to see any interest rate hikes until at least 2023, but the minutes will let us know if any members are in favor of a potential earlier rate hike. The minutes should contain some discussion regarding the rise in long-term interest rates we've seen recently. While most Fed members have characterized the increase in long-term yields as reflecting a strengthening economic outlook, the minutes could show us if any Fed members are concerned about the recent rise in interest rates.

What to Look Forward To (continued)

On Thursday, the initial jobless claims report for the week ending April 3 will be released. Economists expect to see the number of initial weekly unemployment claims fall from 719,000 to 685,000. If estimates hold, this report would bring the four-week moving average for initial claims to a new post-pandemic low, indicating continued progress for the labor market recovery. The recent improvement in the pace of weekly layoffs is due in large part to the continued easing of state and local restrictions, which has helped spur economic activity as we head into spring. Given the continued progress on the mass vaccination front and the anticipated tailwind from the recent federal stimulus bill, we may be in store for further improvements in the pace of initial weekly layoffs. Still, although we have made progress in reducing the number of initial claims compared with the peak of the pandemic, claims remain high on a historical basis. Accordingly, this report will continue to be widely monitored.

On Friday, the March Producer Price Index is set to be released. Producer prices are expected to rise by 0.5 percent during the month, in line with February's 0.5 percent increase. Core producer prices, which strip out the impact of volatile food and energy prices, are expected to rise by a more modest 0.2 percent, matching their 0.2 percent rise in February. On a year-over-year basis, headline producer inflation is expected to rise to 3.8 percent in March, marking the fastest pace of producer inflation since 2011. Much of the recent increase in producer prices has been due to rising input costs for producers. The Fed will continue to closely monitor various inflation metrics. Based on comments from the Fed's March meeting, however, Fed members appear willing to let inflation run hot for the time being to support the ongoing economic recovery.

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