



Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 Index	3,907	-0.7%	4.0%
Dow Jones Industrial Average	31,494	0.1%	2.9%
NASDAQ	13,874	-1.6%	7.7%
Russell 2000 Index	2,289	2.5%	15.9%
MSCI EAFE Index	2,222	-0.3%	3.5%
10-yr Treasury Yield	1.34%	0.1%	0.4%
Oil WTI (\$/bbl)	\$59.04	-0.7%	21.7%
Bonds*	\$115.84	-0.6%	-1.5%

Source: Bloomberg, FactSet

*Bonds represented by the iShares U.S. Aggregate Bond ETF

Last Week:

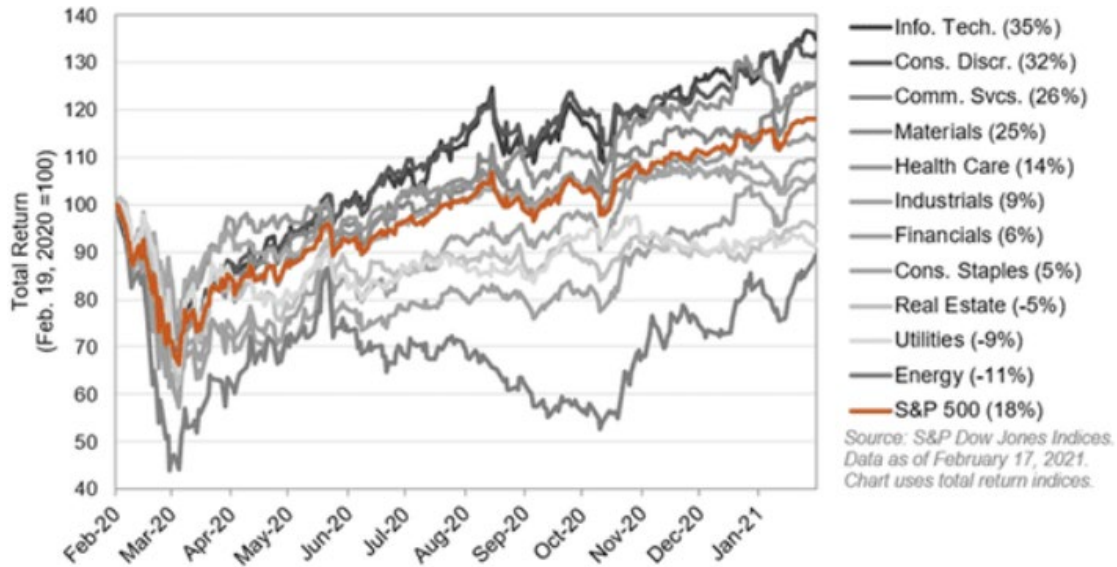
U.S. Equity Market

- U.S. large cap equities (S&P 500® Index) fell -0.7%, despite a continuation of favorable COVID-19 data, vaccine optimism, stimulus prospects, central bank support, and a better-than-expected Q4 earnings season. Some equity investors were concerned about the yield on the ten-year Treasury jumping 15 basis points (bps) to 1.34%, combined with elevated equity valuations and pockets of froth in U.S. equities. According to FactSet, the ~\$1.5T COVID-19 relief package looks likely to pass within the next month. Gold declined -2.5%, while Oil (WTI) fell -0.7%.
- 2020 S&P 500 Index Sector Return:
 - Energy (+3.1%) outperformed, despite oil (WTI) falling -0.7%.
 - Financials (+2.8%) outperformed, led by the banks on rising interest rates.
 - Materials (+0.9%) rose, and was led by Air Products and Chemicals (+1.3%).
 - Industrials (+0.7%) outperformed, led by airlines, GE, and aerospace and defense stocks.
 - Consumer discretionary (-0.5%) fell, with weakness from Tesla (-4.3%), **Amazon** (-0.9%), and home builders, partially offset by strength from cruise lines, casinos, and travel-related stocks.
 - REITs (-0.9%), consumer staples (-1.1%), and utilities (-2.0%) underperformed, as investors favored less defensive-oriented sectors.
 - Communication services (-0.9%) fell, with weakness from Match Group (-5.1%), **Facebook** (-3.3%), Netflix (-2.9%), and Disney (-2.1%).
 - Information technology (-1.9%) fell, and led by Apple (-4.1%), **Adobe** (-4.0%), **PayPal** (-3.8%), Snowflake (-3.2%), **Visa** (-2.5%), **Mastercard** (-2.3%), **Twilio** (-2.2%), and **Microsoft** (-1.6%).
 - Healthcare (-2.5%) underperformed, led by Intuitive Surgical (-7.1%), **Danaher** (-6.0%), **Medtronic** (-5.4%), Moderna (-4.9%), **Abbott Labs** (-4.1%), and **Gilead Sciences** (-3.8%).



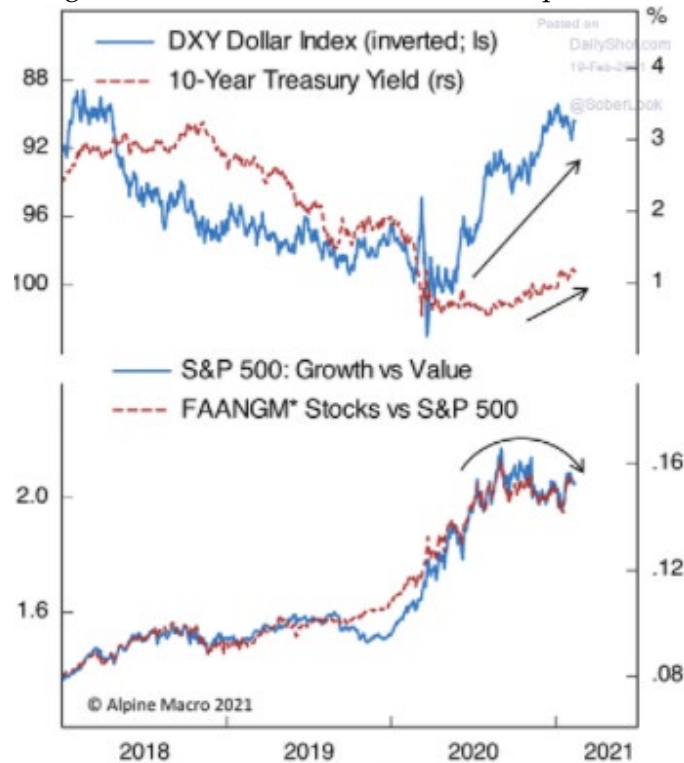
- Over the last year, the S&P 500 Index was led by the information technology, consumer discretionary and communication services sectors, which also contain the FAANGM stocks (Facebook, Apple, Amazon, Netflix, Google, and Microsoft).

S&P 500® Sectors - Since Feb. 19, 2020



Source: The Daily Shot

- As interest rates rise, will growth sectors and FAANGM underperform?

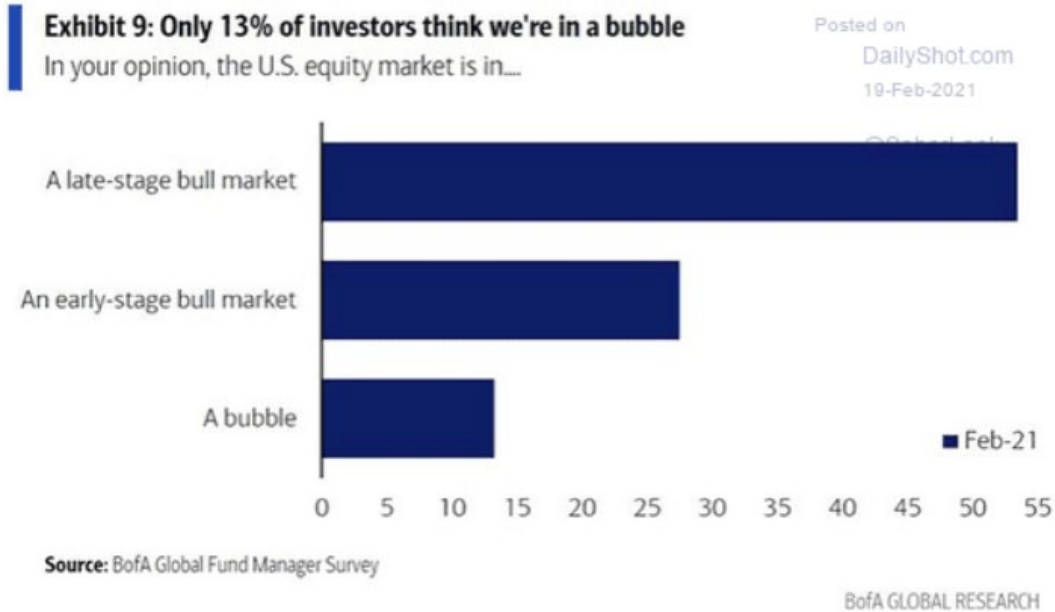


Source: The Daily Shot

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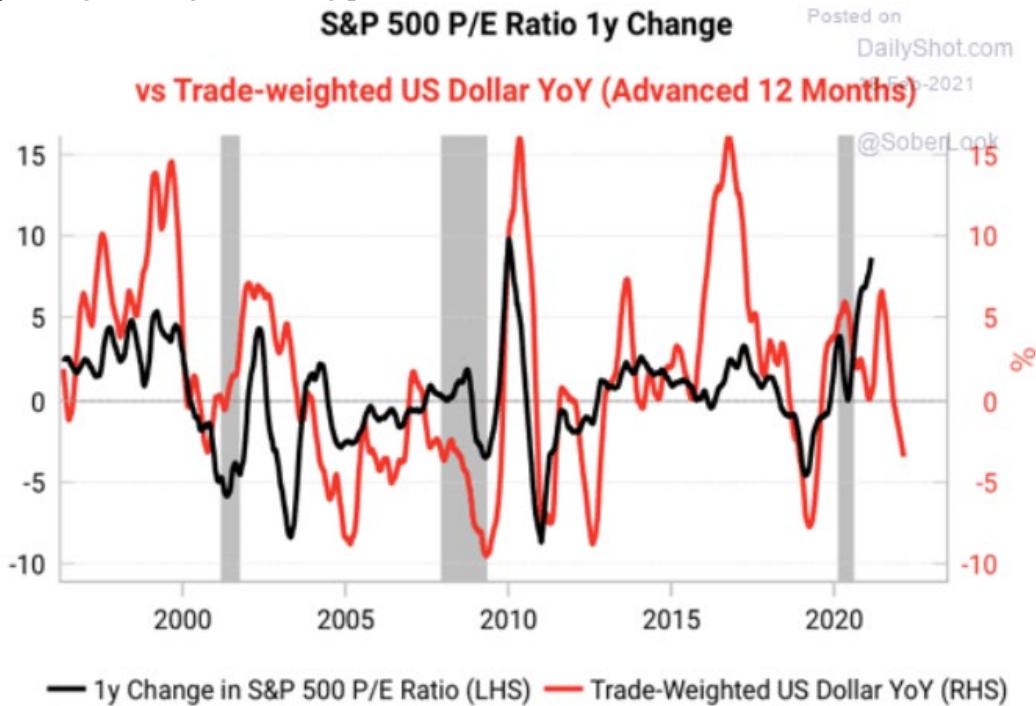


- Only 13% of fund managers surveyed by Bank of America believe the U.S. equity market is in a bubble.



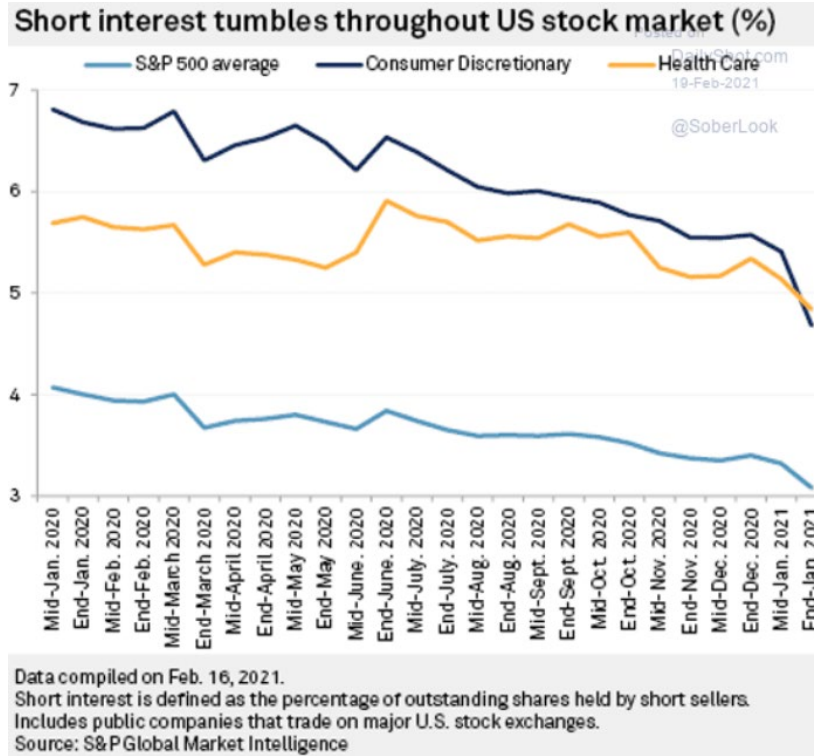
Source: The Daily Shot

- A lower U.S. dollar suggests a decline in the S&P 500 price-to-earnings ratio this year, which could be driven by rising earnings or falling prices.



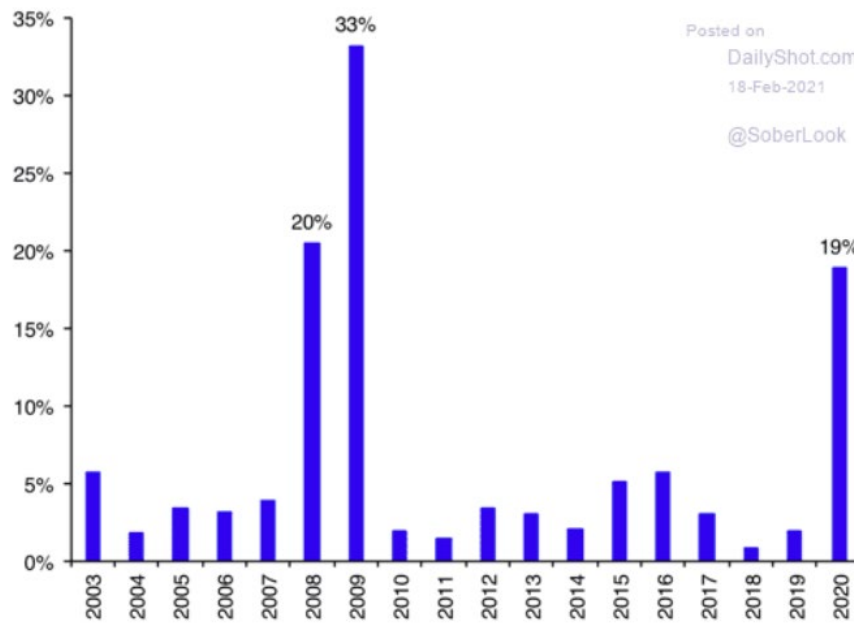


- Short interest in U.S. equities plummeted over the past year.



Source: The Daily Shot

- This chart shows the percentage of negative dividend actions (cut or suspension) by S&P 500 companies.



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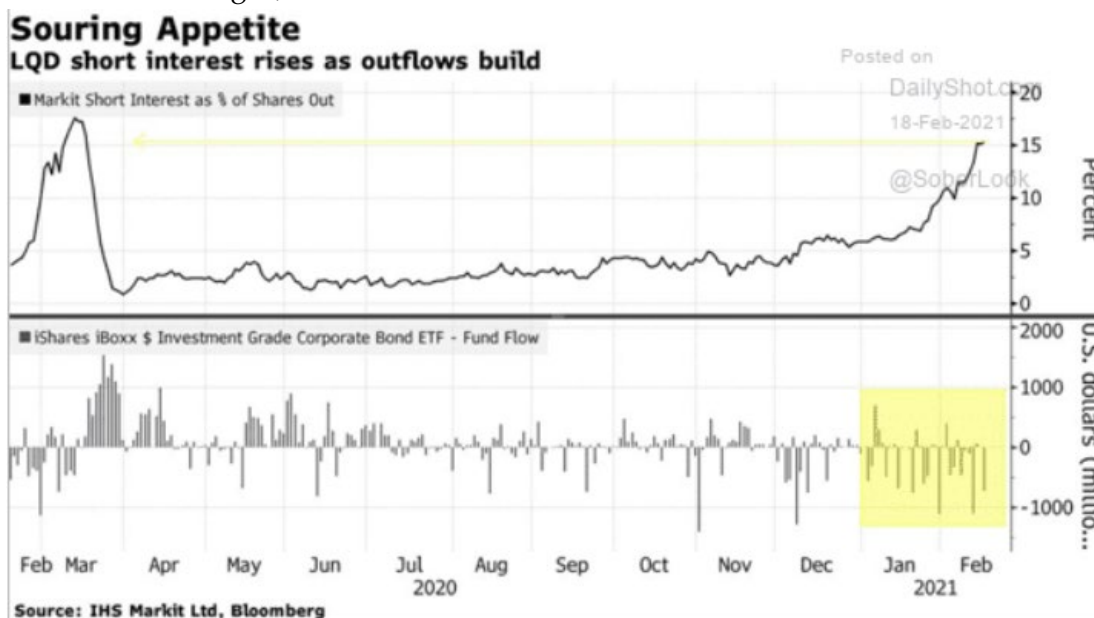
Fixed Income Markets

- Ten-year Treasury yields topped 1.3%, while 30-year yields surpassed 2.1% – the first time that’s happened in roughly a year. Comparing the green line (today) with the red line (one month ago) shows the recent increased steepening of the yield curve.



Source: Bloomberg

- Short interest in the largest investment-grade bond ETF, in terms of assets under management, is near the pandemic-selloff highs, as outflows of the ETF continue.



iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD)

Source: The Daily Shot

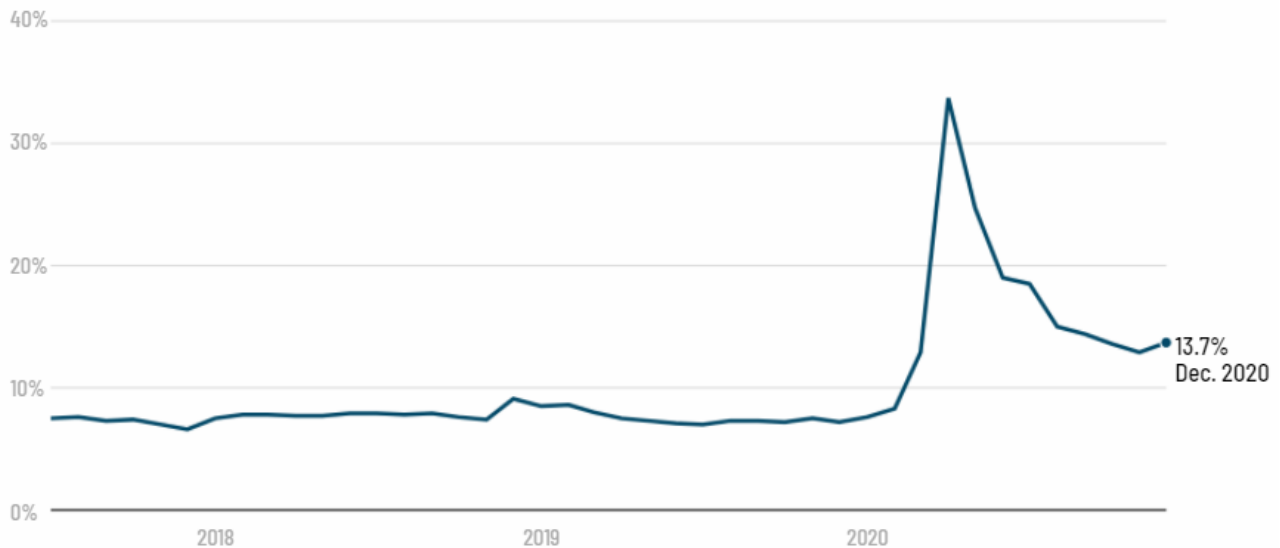



U.S. Economic and Political News

- The Empire State Index rose to 12.1 in February, its highest level since July.
- By contrast, the Philadelphia Fed Index fell to 23.1 in February from 26.5 in January.
- IHS Markit's Manufacturing PMI fell to 58.5 in the flash February reading, from 59.2 in January.
- Meanwhile, IHS' Services Index rose to 58.9, up from 58.3 in January.
- Weekly Jobless claims came in at 861,000, an increase of 13,000 compared to the prior week.
- Industrial Production increased 0.9% in January, well above the 0.4% consensus expectation, with Capacity Utilization of 75.6% likewise topping the 74.9% Street view.
- Retail Sales jumped 5.3% in January, massively surpassing the +1% consensus forecast. Excluding automobiles, Retail Sales came in at an even stronger 5.9% gain, far outpacing the +1.1% expectation.
- Existing Home Sales lifted 0.6% in January to 6.69 million annual units.
- The Producer Price Index surged, +1.3% in January, well ahead of the 0.4% consensus. Likewise, core PPI (excludes volatile food and energy components) lifted 1.2%, versus a consensus estimate of just 0.2%.
- The paradox of thrift suggests it's unhealthy for the broader economy if most members of the economy save, rather than spend, their money. Americans have done exactly that, on a large scale, since COVID-19 hit a year ago.

Americans keep saving as the pandemic drags on

— Personal saving as a percentage of disposable income



 Source: US Bureau of Economic Analysis
Graphic: Julia Horowitz, CNN

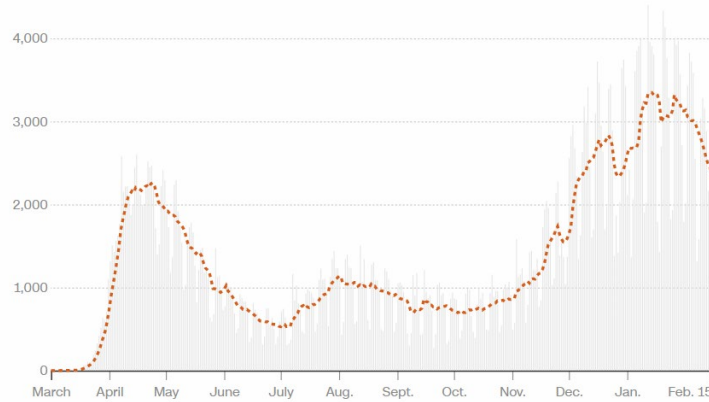
Source: CNN Money



- COVID-19 deaths began trending lower in the United States.

US Covid-19 deaths over time

Gray bars represent the number of new deaths reported each day. The **dashed orange line** shows the seven-day moving average.



The seven-day average is calculated by averaging the current day with the six previous days' figures. Using the average reduces the effects of dips and spikes in the data caused by reporting delays or changes in data collection.

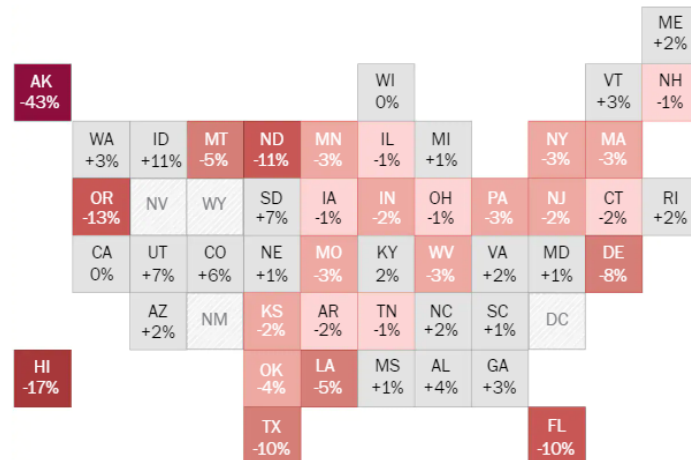
Last updated: February 16, 2021 at 1:28 p.m. ET
Source: Johns Hopkins University Center for Systems Science and Engineering
Graphic: Curt Merrill, CNN

Source: CNN

- The Biden administration extended federal moratorium on foreclosures through June.
- The Federal Housing Finance Agency also extended mortgage forbearance by another three months.
 - 2.7 million mortgages are currently in forbearance.
- The latest round of COVID-19 relief may contain significant relief for state and local governments. Why? Tax revenue fell in 2020 in 26 states, with the elimination of more than 5% of state government jobs (1.3 million in total), mostly in the Education space.

Many states saw major tax shortfalls in 2020

Change in state revenue, Mar. to Dec. 2019 compared to Mar. to Dec. 2020



Source: Urban Institute

THE WASHINGTON POST

Source: Washington Post

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International Markets and News

- The Chinese stock market (Shanghai Composite) rose 1.1% in a holiday-shortened week. Economic data over the Lunar New Year holiday was atypical, with travel down -71% due to COVID-19, but consumer spending was strong, as retail and catering spending increased +29%.
 - Pent-up demand for consumption-driven activities is expected to surge in the coming months as China relaxes restrictions.
- European markets (STOXX 600 Index) rose 0.2% in local terms, as COVID-19 infection rates improved. U.K. Prime Minister Johnson stated that the lockdown would be eased in “stages,” and Switzerland said it would start lifting some restrictions in March.
 - The European Commission struck a deal with Pfizer and BioNTech for another 200 million doses of their vaccine.
- Japanese equities (Nikkei 225 Index) rose 1.7% on Q4 GDP of 12.7%, which was ahead of expectations.
 - The manufacturing PMI increased to 50.6 due to a pickup in export orders (readings above 50 indicate expansion).



This Week:

- Corporate earnings reports will be substantial this week with notable earnings including, but not limited to: **Berkshire Hathaway**, NVIDIA, **Home Depot**, Salesforce, **Medtronic**, Lowe's Companies, Royal Bank of Canada, Square, HSBC, Airbnb, **Intuit**, American Tower, Booking Holdings, TJX Cos., BASF, Moderna, Autodesk, **Workday**, DoorDash, Bayer, VMware, Dell Technologies, Monster Beverages, Dr Pepper Snapple Group, **Thomson Reuters**, Public Storage, Teladoc, Palo Alto, Hang Seng, **CoStar**, Alcon, HP, **Verisk Analytics**, Best Buy, Zscaler, SBA Communications, American Water Works, Amadeus, Etsy, Wayfair, Discovery Communications, Plug Power, Occidental Petroleum, Draftkings, Realty Income, **HEICO**, Royal Caribbean Cruises, NetApp, **Domino's Pizza**, and InterContinental Hotels.
- U.S. Economic data:
 - Monday: Leading Indicators
 - Tuesday: FHFA House Price Index, Case-Shiller Home Price Index, Consumer Confidence
 - Wednesday: MBA Mortgage Purchase Applications, New Home Sales
 - Thursday: Core Durable Orders, Durable Orders ex transport, Durable Orders, GDP Chain Price (first revision), GDP (first revision), Pending Home Sales
 - Friday: Core PCE, Personal Spending, Personal Income, Wholesale Inventories, Chicago PMI, Michigan Consumer Sentiment (Final)

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Adam Bergman, CFA®
Executive Director



Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the MSCI EAFE Index include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

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