



Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 Index	4,181	0.0%	11.3%
Dow Jones Industrial Average	33,875	-0.5%	10.7%
NASDAQ	13,963	-0.4%	8.3%
Russell 2000 Index	2,267	-0.2%	14.8%
MSCI EAFE Index	2,269	-0.8%	5.6%
10-yr Treasury Yield	1.63%	0.1%	0.7%
Oil WTI (\$/bbl)	\$63.48	2.2%	30.8%
Bonds*	\$114.46	-0.3%	-2.8%

Source: Bloomberg, FactSet

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

### Last Week:

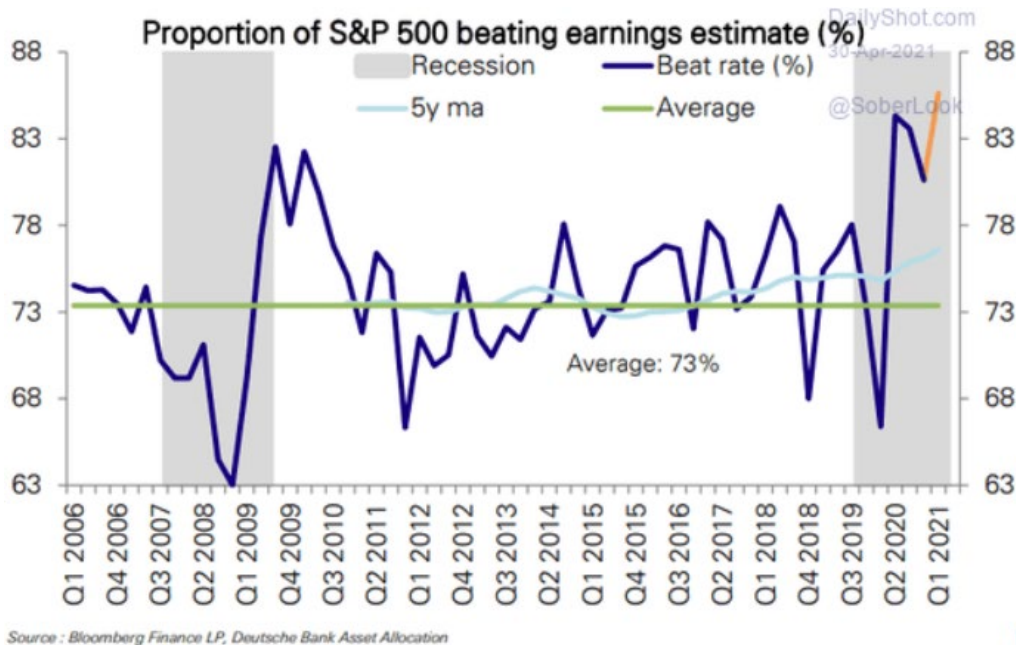
#### U.S. Equity Market

- U.S. large cap equities (S&P 500® Index) were flat, as the peak week of Q1 earnings were reported and generally beat expectations (86% of stocks beat EPS expectations so far), but results were met with lackluster price reactions, as investors were concerned about peak growth, fading U.S. stimulus tailwind, difficult comparisons and potential margin pressure going forward. Inflation concerns led to renewed upward pressure on bond yields and contributed to the rotation back to value and cyclicals away from growth/tech. The dollar was up nearly 0.5%, gold was lower by 0.6%, and WTI crude oil rose 2.2%.
- S&P 500 Index Sector Returns:
  - Energy (+3.6%) outperformed, as oil (WTI) rose +2.2%.
  - Communication services (+2.9%) outperformed, led by **Facebook** (+8.0%), **Alphabet** (+2.3%), Disney (+1.6%), and Netflix (+1.6%).
  - Financials (+2.4%) outperformed, led by the banks as interest rates increased.
  - REITs (+1.1%) rose on strength from data centers and reopening plays.
  - Consumer discretionary (+0.9%) outperformed, led by **Amazon** (+3.8%), travel related stocks, and homebuilders.
  - Industrials (+0.3%) outperformed, led by **UPS** (+13.9%) on strong earnings, **FedEx** (+4.5%), airlines, truckers, and aerospace and defense companies.
  - Utilities (+0.2%) and consumer staples (-0.1%) performed roughly in-line, as investors favored less defensive sectors.
  - Materials (+0.0%) performed in-line, led by industrial metals.
  - Health care (-1.9%) underperformed, as several big pharma/biopharma stocks missed Q1 revenue/EPS expectations on lingering COVID-19 headwinds.
  - Information technology (-2.1%) underperformed, with weakness from megacap hardware and software earnings reports and semiconductor stocks declining. Private equity firm Thoma Bravo has offered to acquire Proofpoint for \$12.3 billion.

*Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees. Please reference important disclosures on page 11.*



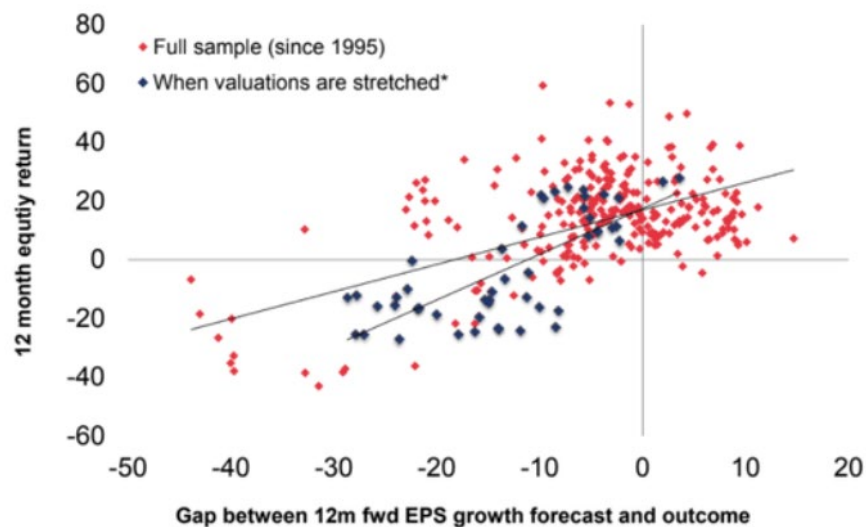
- The percentage of U.S. companies beating earnings expectations hit a new record.



Source: The Daily Shot

- The chart below shows the impact on the 12-month return for equities that miss EPS growth forecasts and expectations.

### Consensus EPS forecast misses vs. returns

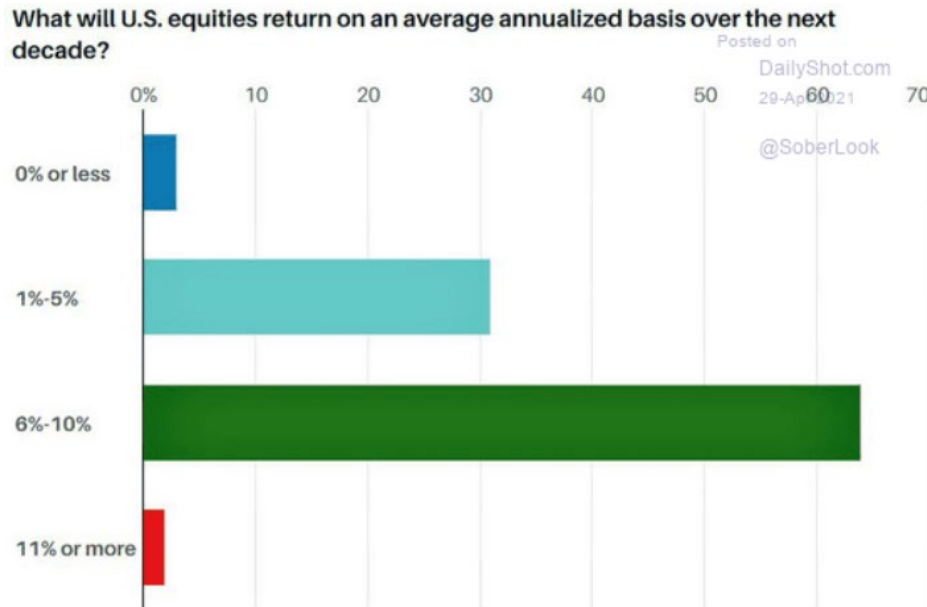


Source: Oxford Economics/Refinitiv Datastream  
\*when starting 12m fwd PE is >1SD above average

Source: The Daily Shot

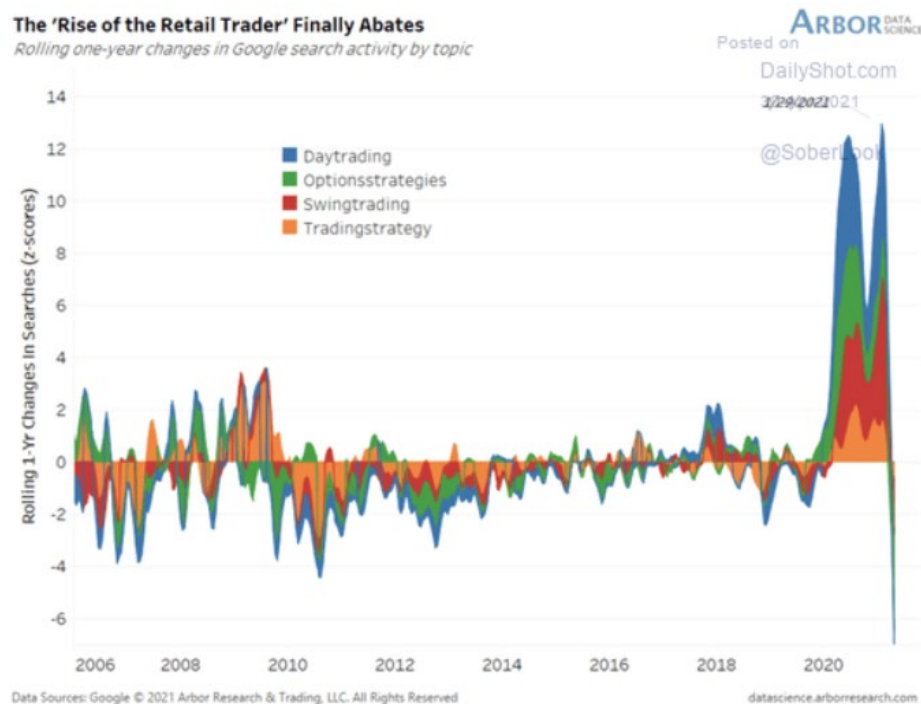


- Approximately 63% of surveyed money managers believe U.S. equities will return between 6-10% over the next ten years.



Source: The Daily Shot

- Google searches for trading content and strategies plummeted from last year's peak.

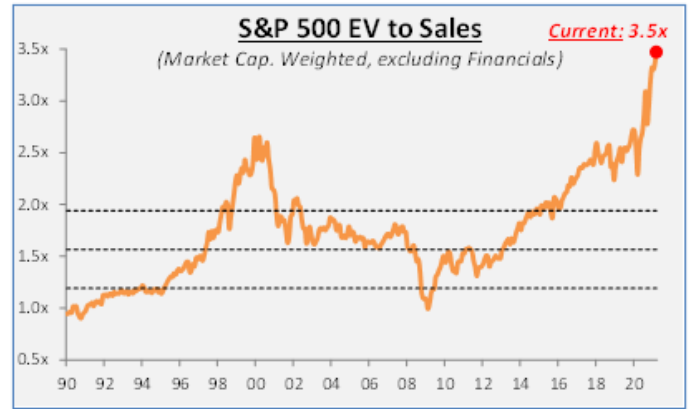
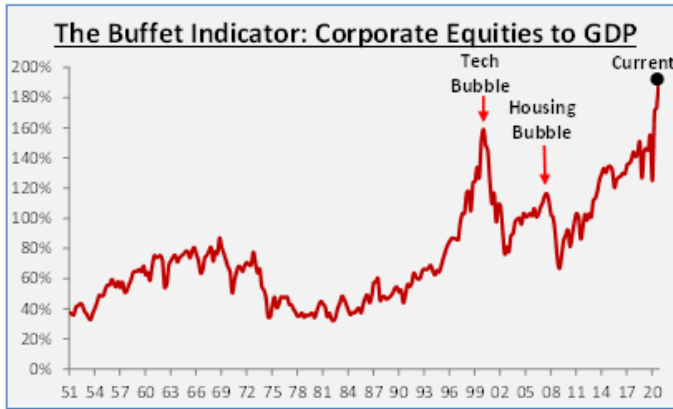


Source: The Daily Shot

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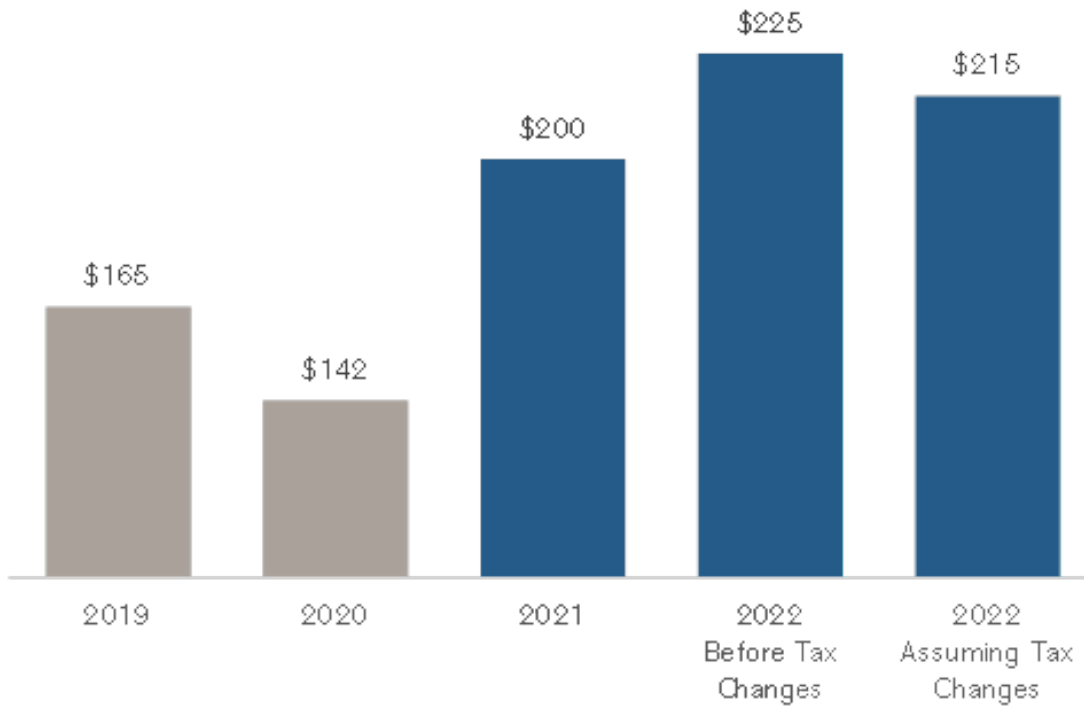


- U.S. equity valuations appear elevated based on the two metrics below.



Source: Wolfe Research

- Credit Suisse estimated the impact of President Biden's proposed tax changes on S&P 500 earnings.



Source: Credit Suisse

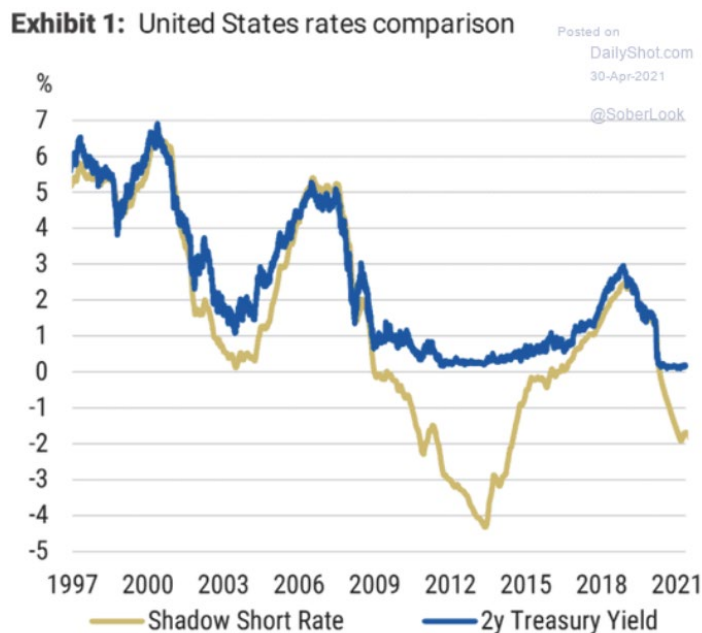
- The following chart shows the degree to which federal government spending consistently exceeded revenue (taxes) over the past 20+ years.



Source: Wolfe Research

### Fixed Income Markets

- The chart below shows Morgan Stanley's estimate of the U.S. shadow overnight rate, which estimates the overnight interest rate by factoring in the impact of the Federal Reserve's easing policies.



Source: Bloomberg, Morgan Stanley Research

Source: FactSet

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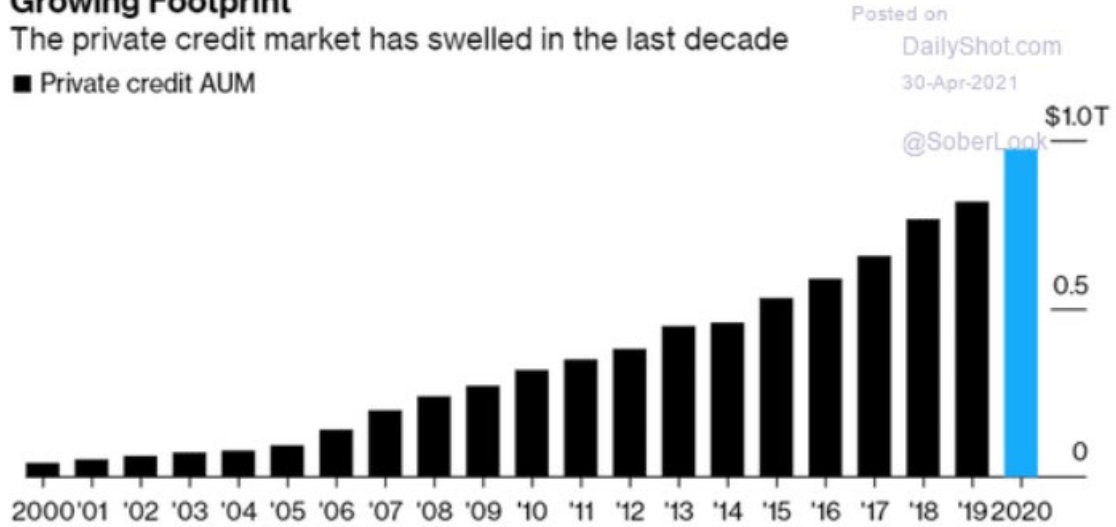


- The private credit market is approaching \$1 trillion.

**Growing Footprint**

The private credit market has swelled in the last decade

■ Private credit AUM



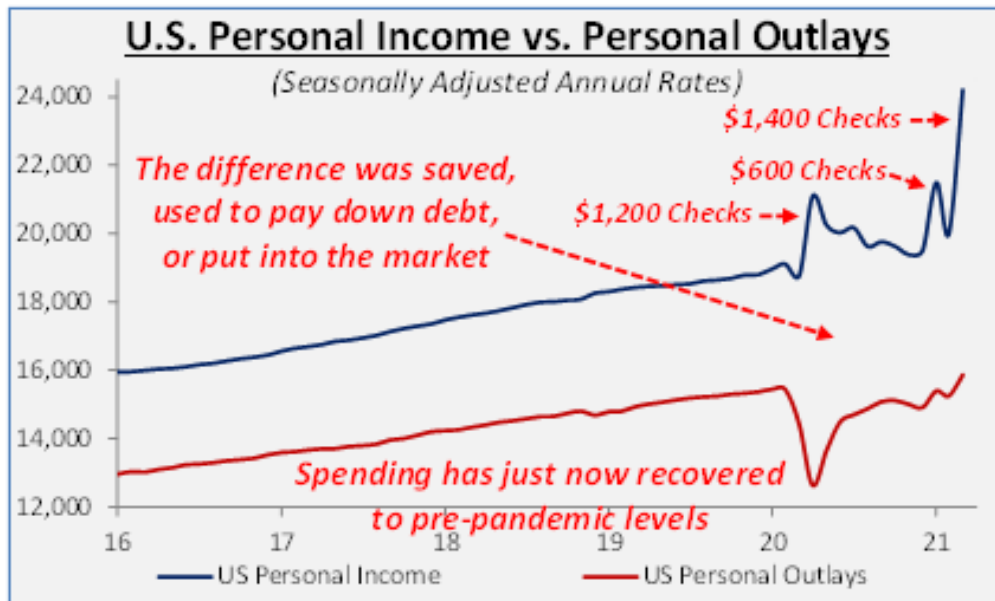
Source: Preqin

Note: 2020 figure as of September. All other figures as of December.

Source: The Daily Shot

**U.S. Economic and Political News**

- Personal Incomes surged 21.1% in March (aided by stimulus payments), while Personal Spending rose by a more subdued 4.2%.



Source: Wolfe Research

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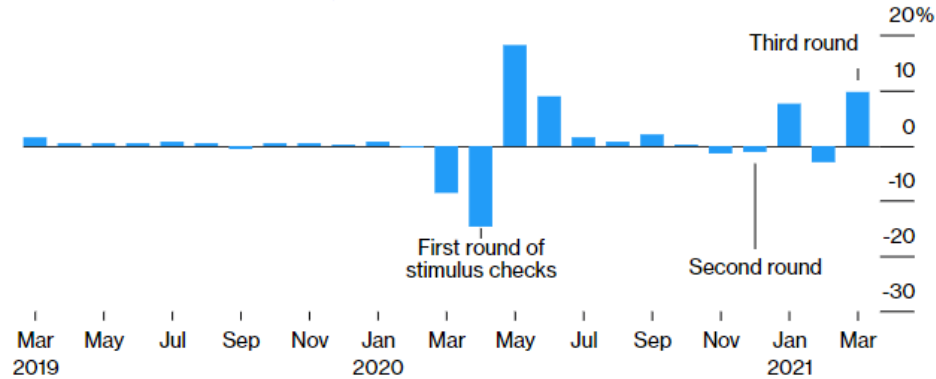


- Likewise, Retail Sales were favorably impacted by stimulus payments.

### Shopping Spree

U.S. retail sales rose at the second fastest pace on record in March

■ Total retail sales (MoM change, SA)



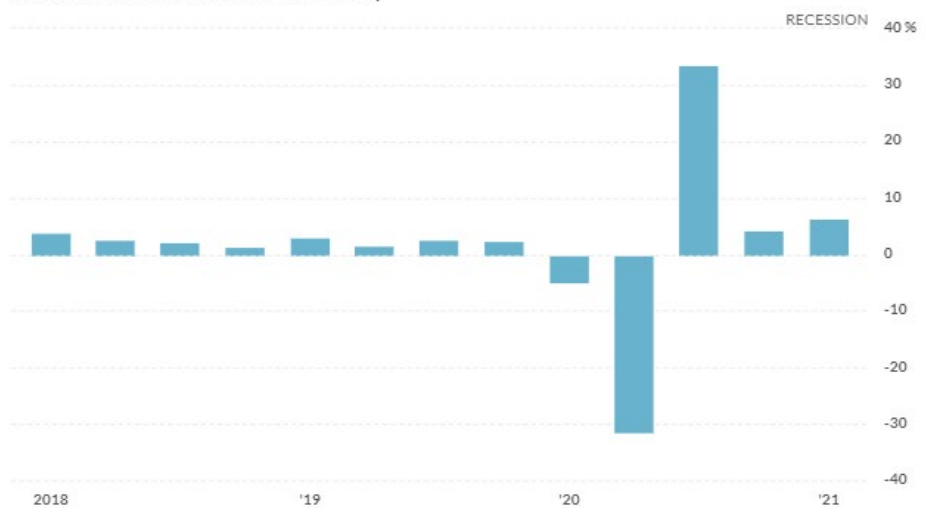
Source: U.S. Commerce Department

Source: Bloomberg

- Weekly Jobless Claims edged lower by 13,000 to 553,000, its lowest level since the onset of the pandemic.
- Chicago PMI printed 72.1 in April, well ahead of the 64.3 consensus forecast.
- The University of Michigan's Consumer Sentiment Index printed 88.3 in April, a bit ahead of the 87.5 consensus forecast.
- PCE inflation rose 2.3% year-over-year and 1.8% on a "core" basis.
- First quarter GDP rose 6.4% in the United States, and would be even stronger excluding the impact of supply chain log jams associated with winter storms.

### Economy grows 6.4% in first quarter

Stimulus and vaccines boost the U.S. recovery



Source: Commerce Department via St. Louis Fed

Source: Marketwatch



- President Biden’s tax plan came into further focus.

Provisions	Est. 10 yr Rev.	Notes
More stringent tax enforcement	\$700B	Via Biden Fact Sheet
Restore 39.6% top rate	\$125-\$150B	Current rate set to expire end of 2025
Tax cap. gains / divs as ordinary	\$350-\$400B	Via taxpolicycenter; estimates
& end stepped up basis at death		vary across source based on elasticity
Repeal like kind-exchange >\$500k	\$30B-\$40B	
<b>Total Individual Provisions</b>	<b>\$1.2T-\$1.3T</b>	<b>Fact Sheet notes \$1.5T, inclusive of other</b>

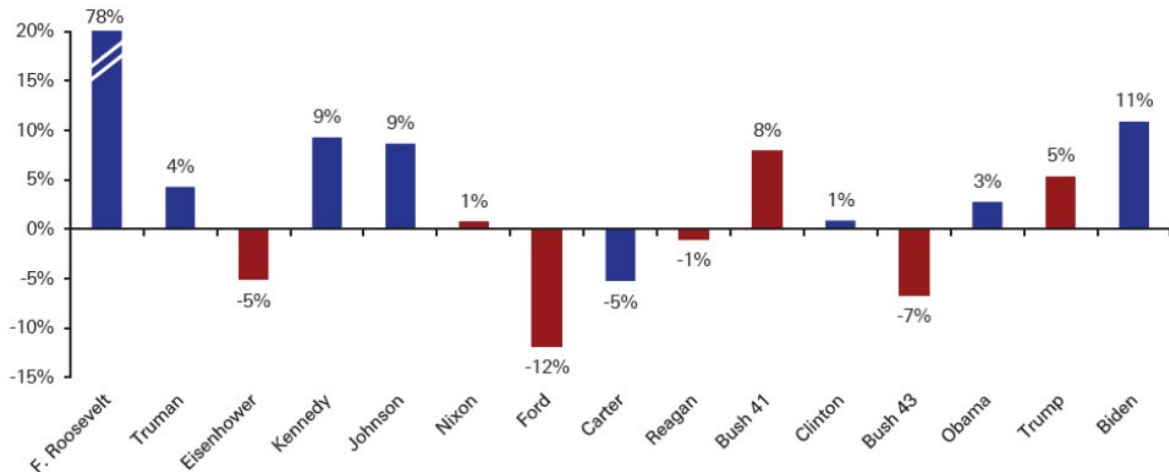
Other potential items not included in Biden Fact Sheet:

Max 28% shield from itemized deductions	\$250B	
Reinstate PEASE itemized deduction phaseout	\$50B	
Repeal SALT Limitations	(\$300B)	Set to expire end of 2025, ~\$75B / yr
Estate tax	\$200B	Reinstating 2009 \$3.5 mln exclusion

Source: Wolfe Research

- While 100 days seems far too brief an interval to make reliable assessments, the following chart compares President Biden’s first 100 days in office to his predecessors. Equities performed well, but Treasuries experienced their fourth-worst first quarter in the last 100 years.

Figure 1: S&P 500 performance over the first 100 days of each presidency



Source: Bloomberg Finance LP, Deutsche Bank  
Note: Taken from close on the last full day of the previous president, to the close on the 100th day (or previous session)

Source: Deutsche Bank





### International Markets and News

- The Chinese stock market (Shanghai Composite) fell 0.8%, as the Chinese government imposed wide-ranging restrictions on the financial divisions at 13 well-known internet companies, including **Tencent**, TikTok developer ByteDance, JD.com, Meituan, and Didi.
  - April PMI readings disappointed investors.
  - Reports surfaced that a state-owned asset manager was selling positions in growth stocks and that several state banks were delaying the release of their 2020 financial statements.
- European markets (STOXX 600 Index) was little changed after an increase in Eurozone bond yields (which followed U.S. yields) prompted investors to reduce equity exposure to near-record levels.
  - French President Macron announced a four-step plan to begin lifting COVID-19 restrictions on May 3, with the goal of removing most restrictions and the nighttime curfew by the end of June.
  - The early reading of the Eurozone's Q1 GDP showed a decline of -0.6% after contracting -0.7% over the previous quarter.
- Japanese equities (Nikkei 225 Index) fell 0.7%, as worse-than-expected earnings reports led to pressure on equities, while the Bank of Japan (BoJ) left short- and long-term policy interest rates unchanged and reaffirmed guidance as expected.
  - The BoJ raised its expected GDP growth rate for 2022 fiscal year to 2.4% from 1.8%.



**This Week:**

- Corporate earnings reports remain robust this week with notable earnings including, but not limited to: **PayPal**, Pfizer, Novo Nordisk, T Mobile, Linde, Siemens, Square, UBER, Booking Holdings, **CVS Health**, **Fidelity National Information Services**, **Cigna**, **Corteva**, General Motors, Zoetis, MercadoLibre, Enbridge, **Activision Blizzard**, Conoco Phillips, Nintendo, **Global Payments**, **Twilio**, Adidas, MetLife, Emerson Electric, **Regeneron Pharmaceuticals**, ING Group, **IDEXX Labs**, **Thomson Reuters**, Sysco, **EOG Resources**, Manulife, Budweiser Brewing, Match Group, AIG, Prudential, **Ferrari**, **Aptiv**, Allstate, Barrick Gold, **Cummins**, Zimmer Biomet, Marathon Petroleum, Canadian Natural Resources, Coloplast, Zillow Group, KKR, **Motorola Solutions**, **Ball Corp**, Wayfair, **Verisk Analytics**, Peloton Interactive, RingCentral, American Water Works, Datadog, Continental AG, Zebra Technologies, Expedia, Etsy, FleetCor Technologies, Paycom Software, **Cerner**, **Carvana**, DraftKings, Apollo, Lyft, **Akamai**, Gartner, Devon Energy, XPO Logistics, **FMC**, **UGI**, **Dentsply-Sirona**, Franklin Resources, and Loews.
- **Verizon** announced the sale of its Media unit to Apollo for \$5 billion, while retaining a 10% stake.
- Japanese and Shanghai markets were closed today.
- U.S. Economic data:
  - Monday: Construction Spending, ISM Manufacturing Index
  - Tuesday: Trade Balance, Building Permits, Manufacturing PMI, Factory Orders
  - Wednesday: MBA Mortgage Purchase Applications, ADP Employment Report, Services PMI, ISM Non-Manufacturing Index
  - Thursday: Unit Labor Costs (preliminary), Productivity (preliminary)
  - Friday: Nonfarm Payrolls, Unemployment Rate, Average Weekly Hours, Average Hourly Earnings, Employment, Ivey PMI, Consumer Credit

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



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*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 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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