# Keeping focused on your long-term goals

## Market Commentary | Week ending April 9, 2021

*Commentary provided by John Packs, Senior Investment Officer, AIG Retirement Services*

### Market Performance Snapshot (Week ending April 9, 2021 and Year-to-Date)

- Dow Jones Industrial Average®: +2.0% | +10.5%
- S&P 500® Index: +2.7% | +9.9%
- NASDAQ Composite® Index: +3.1% | +7.9%
- Russell 2000® Index: -0.5% | +13.6%
- 10-year U.S. Treasury note yield: 1.66%
  - Down 6 basis points from 1.72% on April 2, 2021
  - Up 74 basis points from 0.92% on December 31, 2020
- Best-performing S&P 500 sector this week: Information Technology, +4.6%
- Weakest-performing S&P 500 sector this week: Energy, -4.1%

Past performance is not a guarantee of future results.

## Second quarter gets off to a strong start

Equity markets launched into the second quarter on a positive note, with the S&P 500 Index and Dow Jones Industrial Average ending the week at new record highs. After trailing other indices in the first quarter, the tech-heavy NASDAQ Composite registered a 4.9% gain in the first six trading days of the new quarter. Markets have been lifted by solid U.S. economic data and the prospect of additional stimulus in the form of President Biden's $2 trillion infrastructure proposal. The yield on the 10-year U.S. Treasury dipped slightly and generally remained relatively stable.

- The U.S. economy added 916,000 jobs in March, the strongest monthly performance since August. The unemployment rate dropped from 6.2% to 6.0%. Hiring picked up in most sectors as economic restrictions were eased across the country. About 9.7 million people were unemployed in the month – still 4 million higher than just before the pandemic.
- The first weekly initial unemployment claims report of the second quarter revealed a slightly higher figure than expected, at 744,000. This data point tends to move around a bit, but the latest number is a useful reminder that the economy still needs time to fully heal.



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- The Institute for Supply Management's (ISM's) latest readings on services and manufacturing sector activity added further evidence that the U.S. economy is emerging from the worst of the pandemic.
- ISM's services index for March was 63.7, an all-time high. That figure corresponds to annual GDP growth of 5.1%. ISM's manufacturing index registered 64.7 for March, the highest reading since 1983. That corresponds to GDP growth of 6.2% annually. Both the manufacturing and services sectors are contributing to expectations for historically strong U.S. GDP growth in 2021.
- One cautionary note: The ISM manufacturing survey finds growing backlogs associated with rising demand and global supply disruptions. Separately, GM announced further production delays associated with the current shortage of semiconductor chips.
- On Friday, the U.S. Department of Labor's Producer Price Index – a measure of inflation – came in above expectations, rising 1% from February to March and 4.2% year-over-year, the largest 12-month gain in more than nine years. Markets took the news in stride, with equities rising and bond yields steady. This suggests that, for now, investors are accepting Federal Reserve Chairman Jerome Powell's assessment that an uptick in inflation should be temporary. We'll get another reading on inflation when the Labor Department releases the Consumer Price Index on April 13.
- The Federal Reserve released the minutes of its March Federal Open Market Committee (FOMC) meeting, at which it left current policies unchanged. "While generally acknowledging that the medium-term outlook for real GDP growth and employment had improved, [FOMC members] continued to see the uncertainty surrounding that outlook as elevated," the minutes stated.
- Discussions around President Biden's $2 trillion infrastructure proposal kicked off, with Republicans questioning whether all of the proposed spending fits the definition of infrastructure. They are also raising objections to the associated corporate tax increases. Some Democrats have expressed reservations about tax increases as well. The administration would like to pass legislation by the end of summer, which means coming months will feature robust discussions about what qualifies as infrastructure spending and how it should be paid for – all of which will affect which business sectors stand to gain and lose from the proposal.
- While recent virus case counts have been higher in some places in the U.S. than a month ago, the pace of vaccinations is also accelerating. President Biden asked all states to make all adults eligible for a vaccine by April 19. Markets are optimistic that vaccinations will continue apace and keep the virus (and any variants) at bay, though this is far from certain.
- Quarterly earnings season kicks off in earnest the week of April 12, with several large financial institutions reporting results. Beyond the actual results, the big question for investors is whether companies will provide more guidance about their expected future earnings. Most companies have foregone forward-looking guidance throughout the pandemic, leaving market participants with less clarity about their business outlook.



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## Final thoughts for investors

Equity market indices have risen substantially over the past year, but it's important to remember that markets rarely follow a smooth upward path. Volatility can return at any time, and market corrections of 10% or more – as the NASDAQ Composite endured in February and March – are possible. Consider whether you're prepared for such a move, and whether your portfolio is aligned with your long-term goals, time horizon, and risk tolerance. Speak with a financial professional about planning for the road ahead.

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