TOTH FINANCIAL

April 2021 Market Commentary

With the close of the first quarter of 2021, we now have a full year since the bottom of the equity market selloff due to the COVID crisis. The S&P 500 Index bottomed on March 23rd, 2020 and has made a resilient rebound since. At the close of Q1 2021, the S&P 500 Index is up 75.53% from the March 23rd lows and 5.77% so far this year.

New positive Covid-19 cases, hospitalizations, and mortality rates are all in a steady downtrend; this, coupled with aggressive vaccination protocols have led to a loosening of business gathering restrictions and a springtime resurgence. These positive trends continue to enhance optimism about the business environment and therefore the broader economy for the remainder of the year.

Despite the economic setback over the past 12 months, federal policy makers (across both administrations) have been deliberate in their actions and have helped blunt the impact of the recession and reducing its length. While we are not out of the woods yet, good progress is being made and projections are encouraging.

Below are a few economic highlights that provide encouragement:

- The March jobs report came in which showed that the economy gained a stunning 916,000 payroll jobs last month with an unemployment rate that ticked down to 6.0%.
- The S&P 500 Index is estimated (most companies have reported by now) to have grown earnings by 3.8% year-over-year and revenues by 2.7% year-over-year. This data is comparing 2020 Q4 to the pre-pandemic quarter of Q4 2019. This is an extraordinary measurement because it demonstrates an economic gain despite an economic recession and pandemic wedged in the middle.
- Treasury rates have been in a steady march upwards since August of 2020. This should be viewed as a healthy trend rather than a worrying upwards spike. Treasury rates usually increase when positive economic growth is anticipated. Thus far, the move has been orderly and healthy. It can sound like a massive move because these changes are happening off all-time lows. The 10 Year Treasury Rate at the end of March was 1.72% vs the long-term average of 4.37%.
- Federal policy makers learned from their slow response to the 2008-2009 recession and really went 'big and fast' during this recessionary period. Recently, there has been much discussion about these massive stimulus measures kicking off runaway inflation, but so far, the Federal Reserve is not indicating any concern over it. Rather, the Fed has been quite clear that they want core inflation to run above 2% and to stay there as to pull up the average to 2%.

Equities continue to offer attractive returns in a low interest rate and moderately rising Treasury rate landscape. Volatile periods like 2020 are a great reminder to hold high quality company stocks that have a global presence and can continue to pay dividends through the most uncertain of times. These companies tend to be the most financially sound and our best long-term investments. Our economic outlook remains positive for the remainder of 2021 and into 2022.

Tom

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