Investment Planners, Inc. FINRA/SIPC
IPI Wealth Management, Inc.

FOR THE WEEK OF MAY 7, 2021

Key market drivers last week included a big miss on the April jobs report and another heavy week of earnings reports. U.S. equity markets finished modestly higher led by the cyclicals (energy, financials, industrials, materials) with lagging performance in consumer discretionaries, utilities, REITs, and technology. Commodity markets had a broad-based rally across energy, metals, and grains boosted by a notable decline in the USD. Interest rates fell across the curve with the biggest declines in the belly (3yrs-10yrs) while inflation breakevens continued to creep higher, now at their highest levels since pre-GFC.

Market Anecdotes

- With 88% of the S&P 500 having reported earnings, FactSet has the beat rate at 86% and beat margin at 22.8%, both very elevated. Blended earnings and revenue growth are tracking at 49.4% and 10% respectively with elevated beat rates and beat margins on revenue as well.
- Per Case-Shiller, U.S. home prices are rising at their fastest 8-month clip on record with inventories low and new supply creation still depressed. That said, we expect the overall housing market and home prices to remain sensitive to interest rates and the economy.
- High yield spreads traded below 330bps last week while IG spreads were under 100. Bespoke noted IG spreads relative to interest rate risk (duration) are at their lowest level since 1997.
- China has seen a recent uptick in their ESI, import growth is moving sharply higher, and increasing producer prices are indicating a positive contribution from China to global economic growth. However, monetary conditions, money supply, and credit are clearly deteriorating.
- Corporate taxes are likely to rise as part of the AJP later this year which, under current proposal, represent an approximate 8% hit to forward earnings but tax credits and compromise will likely water that down to 5%.
- We feel the AFP proposed increase to the capital gains tax rate is more significant than the increase in the top marginal bracket. Tax motivated selling (short term volatility) would be very likely, but BCA points out that a structural increase in the equity risk premium is not so clear.
- The big miss on Friday's jobs report pushed the forward curve a few months further out for any increase to the Fed Funds rate, now at 50/50 odds in the September/October 2022 timeframe.
- Bank of Canada was the first major developed market central bank to announce intent to begin tapering bond purchases leading to speculation on policy rates and QE tapering policy shifts by the Fed, ECB, BoE, and other central banks.
- BCA highlighted peaking growth momentum (Q2, Q3) as a risk indicator for forward equity market returns but discounted it as a reliable catalyst as a forward return indicator.
- The medical infrastructure of individual countries' ability to manage and withstand pandemic waves has been to be the driving force behind social distancing and health policy measures. Hospitalization trends are encouraging globally but India's situation remains concerning.

Economic Release Highlights

- The April jobs report came in significantly below consensus (266k vs 998k), taking the unemployment unexpectedly higher to 6.1%.
- The April U.S. ISM Manufacturing Index missed consensus by a good margin (60.7 vs 65.0) due primarily to supply chain issues rather than weakening demand.
- The April U.S. ISM Services Index missed consensus (62.7 vs 64.2) and slowed slightly from prior month levels.
- U.S. productivity increased 5.4% (QoQ A.R.) in the first quarter, helping to quell concerns of labor cost pressures in the short term.
- China's official and Caixin PMIs sent contradictory messages in April. The composite PMI declined to 53.8 from 55.3 on greater than anticipated slowdowns in both the manufacturing and non-manufacturing sectors while the Caixin manufacturing PMI surprised to the upside and accelerated to 51.9 from 50.6.

THE NUMBERS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr
Dow Jones	34778	2.72	4.09	12.23	14.33	48.73
NASDAQ	13752	(1.48)	0.51	(0.58)	6.94	54.36
S&P 500	4233	1.26	3.85	9.31	13.25	49.35
Russell 1000 Growth		(1.01)	1.99	2.32	6.72	48.58
Russell 1000 Value		2.79	5.09	14.59	18.93	54.63
Russell 2000		0.25	2.23	1.96	15.35	79.10
Russell 3000		0.84	3.46	7.77	12.77	53.56
MSCI EAFE		2.63	3.68	7.81	9.61	47.49
MSCI Emg Mkts		0.10	0.87	(2.96)	5.01	54.00
Fixed Income	**Δ Yield**	**1 Wk**	**1 Mo**	**3 Mo**	**YTD**	**1 Yr**
US Aggregate	2.00	(0.06)	(0.07)	(0.13)	(0.14)	(0.52)
High Yield	4.78	(0.12)	(0.13)	(0.26)	(0.34)	(1.24)
Municipal	1.87	(0.01)	(0.02)	(0.03)	(0.04)	(0.24)

Commodities	Current	3/31/21	12/31/20	9/30/20
Oil (WTI)	64.46	59.19	48.35	40.05
Gold	1767.70	1767.70	1887.60	1886.90

Currencies	Current	3/31/21	12/31/20	9/30/20
USD/Euro ($/€)	1.21	1.17	1.23	1.17
USD/GBP ($/£)	1.38	1.30	1.37	1.29
Yen/USD (¥/$)	109.33	109.33	103.19	105.58

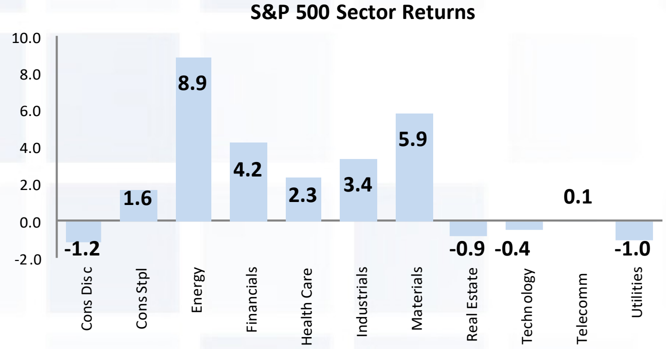
Treasury Rates	Current	3/31/21	12/31/20	9/30/20
3 Month	0.02	0.03	0.09	0.10
2 Year	0.14	0.16	0.13	0.13
5 Year	0.77	0.92	0.36	0.28
10 Year	1.60	1.74	0.93	0.69
30 Year	2.28	2.41	1.65	1.46

Style Returns

	V	B	G
L	2.79	0.89	-1.01
M	2.49	0.69	-2.90
S	3.03	0.25	-2.68

S&P 500 Sector Returns

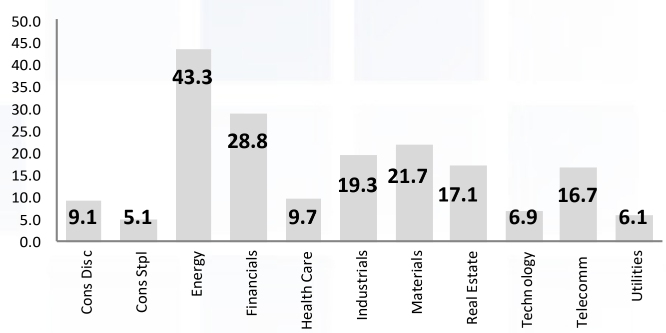
MTD



MTD

	V	B	G
L	18.93	12.60	6.72
M	21.48	14.43	1.98
S	27.37	15.35	4.29

YT



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