



Index Performance

- In April, US Large-Caps and US Mid-Caps and were amongst the leaders (up 5.29% and 4.41% respectively). Other notable moves include International Developed equities which increased by 3.14%, followed by US Small-Caps and Broad-based Emerging Markets which rose 1.82% and 1.20%, respectively. China was up only 0.34%.
- US bonds produced positive returns. Investment Grade Corporate Bonds rose 1.04%, the US Aggregate Bond Index increased by 0.73%, and High Yield Credit was up 0.64%
- Commodities posted sizable gains as Broad-based Commodities surged 8.25%, Crude Oil climbed 6.76%, Silver rose 5.77%, and Gold increased by 3.56%.

April Performance: The S&P 500 Index was up 5% in April, driven by strong earnings and improving macro-economic data. Enthusiasm for stocks remains quite high with individual investors holding more equities than ever before, fueled by a blowout earnings season, the prospect of a strong economic recovery, and government stimulus. According to data from JP Morgan and the Federal Reserve, stock ownership among US households rose to 41% of their total financial assets in April, the highest level on record.

Strong Earnings Season Thus Far: According to Factset, as of Friday, April 30th, 75% of the S&P 500 market cap has reported earnings, and 86% of those companies have exceeded earnings expectations. In aggregate, these results are 20.9% ahead of estimates vs. the 8-quarter average of 9.7%.

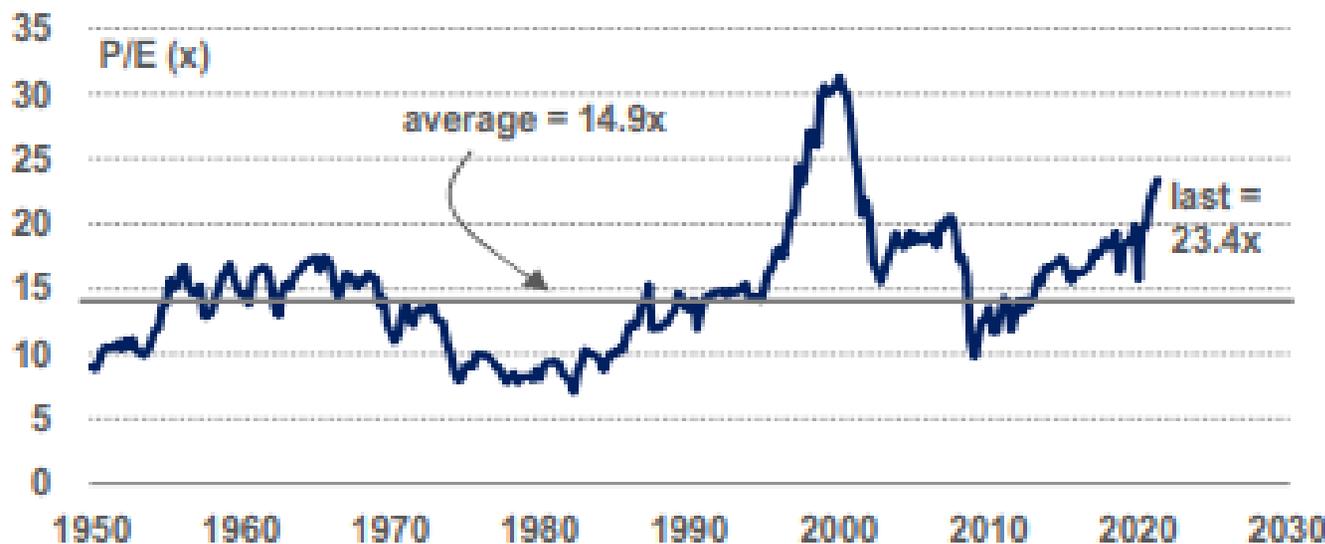
US Housing is on a Hot Streak: Home prices as measured by the S&P Case-Shiller Index rose 12.2%, with prices surging across all 20 of the metropolitan areas tracked by the Index. That amounts to an increase of \$35,000 in the median selling price for homes from just a year ago and marks the fastest pace of increase since 2006.

ETF Inflows Continue at a Rapid Pace: According to Goldman Sachs, US ETF assets under management surpassed \$6 trillion in April, just five months after breaking \$5 trillion last November.

S&P 500 Forward PE ratios are high: As the chart in Exhibit 1 shows, the forward PE ratio for the S&P 500 currently stands at 23.4x which is beyond its since 1950 average of 14.9x. Valuations have risen in part due to the low level of interest rates in the bond market and investors' excitement on stocks.

Exhibit 1

S&P 500 Forward PE Ratios Remain Elevated



Source: 2021 AltaVista Research, LLC. A.

Factor Performance

April saw a reversal of the first quarter’s resurgence in small capitalization and value as the capitalization-weighted S&P 500 Growth Index and the similarly top-heavy Momentum Index were the only two outperformers vs. the S&P 500 Index (see Exhibit 2 below). Year to date, Value still retains a sizeable lead over Growth.

Biden’s Infrastructure Plan

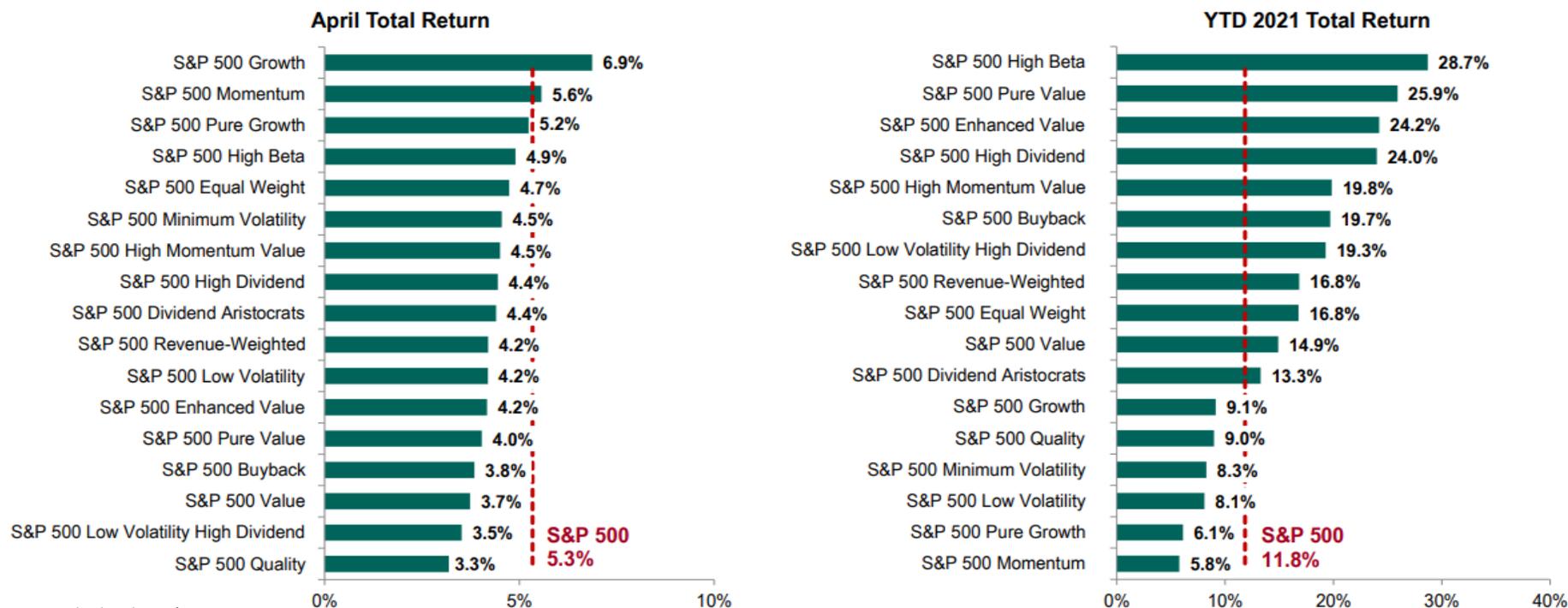
President Joe Biden’s \$4 trillion infrastructure plan is now in the hands of Congress, where both parties see a higher chance of at least some compromise than for the administration’s pandemic-relief bill. There is discussion that this plan could be broken up in multiple bills.

Capital Gains Tax

According to Barrons.com, only about 25% of US equities are in accounts subject to taxes with the rest held by tax-exempt institutions like pension funds and endowments, or in tax deferred retirement accounts such as 401K plans or IRAs. The proposed 43.3% tax rate for earners of \$1 mln or more would put the capital gains tax at its highest level since the late 1970s, as reported by Bank Credit Analyst.

Exhibit 2

Monthly and YTD Factor Performance Summary



Source: Standard and Poor’s.

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