Monthly Commentary Report

April 1, 2021

Index Performance

- In March, US Mid-Caps and US Large-Caps and were amongst the leaders (up 4.86% and 4.54%, respectively). Other notable moves include US Small-Caps and International Developed equities which increased by 3.60% and 2.45%, respectively. Meanwhile, Broad-based Emerging Markets fell 0.73% and China was down 6.21%.

- US bonds produced mixed returns. High Yield Credit rose 1.22% while the US Aggregate Bond Index decreased by 1.12% and Investment Grade Corporate Bonds declined by 1.48%.

- Commodities struggled as Silver plunged 7.95%, Broad-based Commodities fell 2.14%, Crude Oil decreased by 1.89%, and Gold declined by 1.14%.

Rates Continue their Rise: In March, US interest rates continued their ascent as the yield on the 10-year US Treasury hit over 1.7% on March 30th, its highest reading in 14 months. The increase is likely tied to US vaccination progress and President Joe Biden's next economic aid package, fueling expectations of further economic growth and inflation.

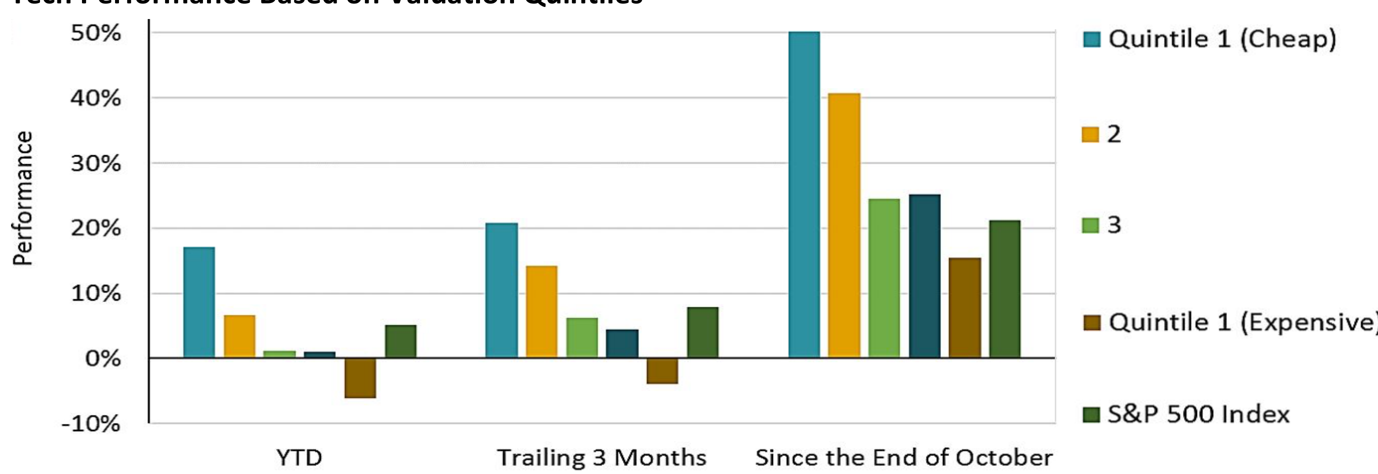
Fed says No to Rate Hikes: Although the Federal Reserve raised its inflation and growth forecasts at the March FOMC meeting, monetary policy remains unchanged as members of the committee voted to keep short-term interest rates near zero. Chairman Jerome Powell reiterated that the Fed plans to keep rates at the 0% to 0.25% range until full employment is reached and the 2% inflation target is met. He also stressed until the economy makes "substantial further progress," the Fed will continue its $120 bln in monthly bond purchases.

Biden's Two-Part Plan is predicted to cost between $3 trillion to $4 trillion, spanning a decade. The first stage includes roughly $2 trillion in funding for roads, bridges and buildings, clean energy technology, job research & development, and domestic manufacturing. The second section is geared towards investments in health care, child care, and education. Further details will be unveiled in April. The administration's proposal to increase taxes on individuals making over $400,000 as well as raising the corporate tax rate from 21% to 28% both aim to help cover the costs of these programs.

COVID-19 Vaccinations: Internationally, over 564 mln doses of the COVID-19 vaccine have been administered, more than doubling February's end count of 241.9 mln. Similarly, over 16% of the US population has been fully inoculated as of March 31st. In the US, eligibility for the vaccine has expanded given all 50 states have allowed or will allow individuals age 16 and up to receive the vaccination.

Exhibit 1

Tech Performance Based on Valuation Quintiles[1]



Source: Bloomberg Finance L.P. as of March 12, 2021, calculations by SPDR Americas Research. Past performance is not a guarantee of future results.

1. Information Technology stocks within the Russell 1000 Index were separated into quintiles based on a five-factor valuation screen of Price-to-Book, Price-to-Next-Twelve-Months-Earnings, Price-to-Earnings, Price-to-Next-Twelve-Month-Sales, and Enterprise-Value-to-Next-Twelve-Month-Sales ratios. Stocks in each quintile were equally weighted and held from start to date to end date without rebalancing.

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A Closer Look at Technology

There is a rotation in the market in which Technology companies are being sold while companies more geared to the economic recovery are outperforming. Moreover, technology companies with more expensive valuation multiples are underperforming those companies which have relatively lower valuations. Refer to the chart on page 1 for more details.

Good News for Banks

The Federal Reserve announced that on June 30th, restrictions on bank's dividend payout levels and share buybacks will be lifted, provided they pass this year's stress test and maintain adequate levels of capital. Last year, these limitations were put in place to ensure that financial institutions would have capital to lend to consumers and businesses that endured the consequences of the pandemic. Aside from demonstrating the Fed's confidence in the strength of banks and the economic recovery, lifting these restraints will allow banks to return more value to their shareholders. Banks will be allowed to distribute excess earnings in the form of dividends at desired levels to their stockholders. Such companies will also be able buy back shares of their outstanding stock at their own discretion, reducing the number of shares outstanding and ultimately causing the value of the remaining shares to increase. This will likely provide a tailwind for financials and the rotation toward value-oriented strategies.

US Consumer Confidence

On March 30th, the US Consumer Confidence Index surged to 109.7 from 90.4 in February, substantially exceeding analysts' estimates of 97 and marking its highest level since the beginning of the Coronavirus pandemic. This suggests that consumers have become more optimistic about the economy and labor market, ultimately indicating that household spending may increase in the near future. Such optimism can be accredited to accelerating COVID-19 vaccinations, an ease in business restrictions, and the recent government stimulus.

Why are home prices rising so quickly?

According to the S&P CoreLogic Case-Shiller National Home Price Index, home prices in January increased 11.2% year over year, marking their largest annual rate of price growth in 15 years. There are various factors contributing to this rapid price increase, but the key reason is because of extraordinary demand and little supply. Some drivers for the heightened demand include historically low interest rates (mortgage rates dropped below 3% for the first time ever in July), millennials entering home-buying ages (and making up the largest share of home buyers), and the desire for more space while working remotely. As for supply shortfalls, inventory was already low before the pandemic, homeowners began refinancing their homes at lower interest rates rather than moving, and the growing costs of materials have limited home construction. Moreover, in January, homes for sale reached a record low of 1.03 mln units and remained at this level through the end of February.

Reopening of the Suez

After six days of being grounded and blocking Egypt's Suez Canal, the enormous container ship, Ever Given, was freed and refloated on March 29th after dredgers and tugboats dislodged its bow. In addition to slowing already pandemic-strained supply chains, the blockage is estimated to have halted more than $9 bln in global trade per day and cost the canal up to $15 mln in daily revenues. Although traffic has resumed in the waterway, analysts predict that it could take up to 10 days to alleviate the backlog given the increased volume of ships and foreseen port congestion.