

OBSERVATIONS

- COVID-19: New CDC study showed that a single dose of Pfizer/BioNTech's or Moderna's vaccine was 80% effective in preventing coronavirus infections. Effectiveness increased to over 90% with a second dose.¹
 - Vaccination hesitancy subsides in March Census Bureau Household Survey: 17% of survey participants indicated unwillingness to be vaccinated, down from 22% in January.²
 - COVID-19 was the 3rd leading cause of death in the U.S. in 2020, behind heart disease and cancer.³
- Personal bankruptcy filings under chapter 7 (liquidation) and chapter 13 (reorganization) were down 22% and 46%, respectively, in 2020 as compared to 2019 – thanks to stimulus, eviction moratoriums, and forbearance programs.⁴
- Index provider FTSE Russell has granted final approval to include Chinese government bonds into its World Government Bond Index (WGBI). It is estimated that \$2.5tn in assets are following the FTSE WGBI and the inclusion will be staged over a 3-year period.⁵
- The S&P CoreLogic U.S. national home price index jumped +11.22% on a YoY basis – the fastest rate since 2006.¹
- Global M&A deal value reached \$1.3tn in the first quarter, surpassing the dot-com era and higher than any first quarter since at least 1980.⁶
- The manufacturing sector experienced its 10th consecutive month of growth in March. The Institute for Supply Management's Manufacturing PMI registered a reading of 64.7% - the highest level in 37 years.¹
- Nonfarm payrolls increased by +916k (vs. expectations of +660k) and the unemployment rate declined to 6.0% from the prior month's reading of 6.2%. Gains were led by leisure and hospitality, which added +280k jobs – though this segment remains -18.5% below pre-pandemic levels.¹

EXPECTATIONS

- The Federal Reserve is set to allow banks that pass the current round of stress tests to resume share buybacks while accelerating dividends – both after June 30th. Banks have been limited on dividend payments and share buyback activity for nearly a year.⁷
- U.S. 10-year treasury yields have now climbed 82bps year to date and reached 1.74% as of 31-March. The 10-year yield is likely rangebound between 1.50% and 2.00% for the near term, with 2.00% representing the next significant milestone.¹

ONE MORE THOUGHT⁸

President Biden unveiled an anticipated infrastructure plan comprised of four parts with spending spanning an eight-year period and totaling more than \$2.0tn. On a macro level, spending is comprised of the following:

- \$620bn for transportation infrastructure (bridges, roads, public transit, ports, airports, electric vehicle development.
- \$400bn for the care of the elderly and disabled.

¹ Bloomberg LP

² <https://www.census.gov/data/tables/2021/demo/hhp/hhp26.html>

³ <https://www.axios.com/covid-19-death-third-leading-cause-2020-cba1121c-f9d3-4b5f-a4e5-f92ecf68c668.html>

⁴ <https://www.wsj.com/articles/coronavirus-was-supposed-to-drive-bankruptcies-higher-the-opposite-happened-11617010201>

⁵ <https://www.reuters.com/article/us-bonds-index-wgbi-china/china-bonds-set-for-billions-of-inflows-after-final-ftse-wgbi-nod-idUSKBN2BL351>

⁶ <https://www.ft.com/content/bacdf86f-e786-4439-966e-f5958adb1c59>

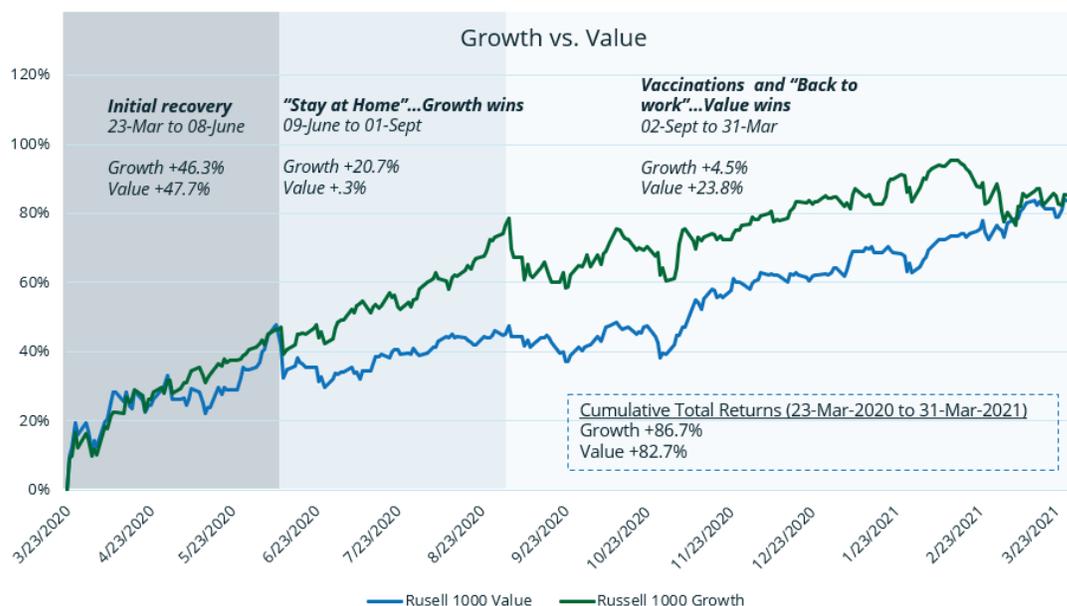
⁷ WSJ

⁸ FT, CNBC, Bloomberg LP

- \$300bn for utility infrastructure (drinking water, electric grids, and internet).
- \$300bn for constructing and improving affordable housing and schools.
- \$580bn for manufacturing (R&D and job training).

The White House plans to propose tax increases to fund the multi trillion-dollar initiatives by raising the corporate tax rate to 28% from 21%, and by raising the minimum tax on U.S. corporation’s overseas profits to 21% from the current 13%. The administration also plans a second major package (likely on the order of \$1tn) in a few weeks which will be focused on social measures such as health care. The difficult task of passing any legislature is likely to be contentious, and as noted in our [22-March One More Thought](#) will need the support of at least ten Republicans, otherwise Democrats will need to use the budget reconciliation process in order to pass based on a simple majority.

CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, Data as of 31-March, Cumulative Total Returns, Growth = Russell 1000 Growth, Value = Russell 1000 Value

Growth stocks and value stocks have experienced significant rotations since the pandemic’s beginnings. March was no different as value-oriented stocks (Russell 1000 Value +5.9%) beat growth-oriented stocks (Russell 1000 Growth +1.7%) in a continuation of recent trends. From the March 23, 2020 lows to March 31, 2021, value and growth have generally performed similarly (Russell 1000 Value +82.7%, Russell 1000 Growth +86.7%) though experienced dramatically different paths as the economy experienced shutdowns and reopenings.

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	as of:	3/31/2021			
		<u>1-Month</u>	<u>Quarter-to-Date</u>	<u>Year-to-Date</u>	<u>1 Year</u>
<u>U.S. Equity Markets</u>					
Index					
DJIA		6.8%	8.3%	8.3%	53.8%
S&P 500		4.4%	6.2%	6.2%	56.3%
Russell 2000		1.0%	12.7%	12.7%	94.8%
Russell 1000 Growth		1.7%	0.9%	0.9%	62.7%
Russell 1000 Value		5.9%	11.2%	11.2%	56.1%
<u>International Equity Markets</u>					
Index					
MSCI ACWI ex USA		1.3%	3.5%	3.5%	49.4%
MSCI EAFE		2.3%	3.5%	3.5%	44.6%
MSCI Emerging Markets		-1.5%	2.3%	2.3%	58.4%
MSCI EAFE Small Cap		2.2%	4.5%	4.5%	62.0%
<u>Fixed Income Markets</u>					
Index					
BarCap US Aggregate		-1.2%	-3.4%	-3.4%	0.7%
BarCap Global Aggregate		-1.9%	-4.5%	-4.5%	4.7%
BarCap US High Yield		0.1%	0.8%	0.8%	23.7%
JPM Emerging Market Bond		-1.0%	-4.7%	-4.7%	14.3%
BarCap Muni		0.6%	-0.4%	-0.4%	5.5%

Source: Clearstead, Bloomberg LP, as of 31-March