



**FINANCIAL CONCEPTS
UNLIMITED, INC.**

Financial Concepts Unlimited, Inc.

30B West Street
Annapolis, MD 21401
Phone: (866) 444-5122
Fax: (301) 315-6343
<http://www.fcuinc.com>

John R. Taylor, Jr.
President & CEO

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In a quarter where many of the headlines were political in nature, the stock and bond markets around the world put up reasonable positive returns. During this period, our Federal Reserve Bank has all but assured us that Interest Rates will remain at, or near 0% for at least the next year, if not two. Meanwhile, Central Banks around the world continue to pour hundreds of billions of dollars a month into the market via their fiscal stimulus packages and, therefore, we have markets that have performed well both here and abroad.

However, with all of this expansionary monetary policy also comes uncertainty over the extent of the inflation to follow at a time when market valuations are at, or near, all-time highs. This is especially true here in the United States, where our major market indices are dominated by the “high-flying” Technology sector.

Quarterly Market Review:

As we closed out 2020, the overwhelming sentiment entering January was that it couldn't get much worse. Unfortunately, January did not start out on a high note. During the first week of the month, protesters stormed the United States Capitol, leading to violence, the disruption of the presidential election certification, and several deaths. Nevertheless, the inauguration of Joe Biden as our 46th president took place as scheduled. January also saw the emergence of virus mutations, the uneven distribution of COVID-19 vaccines, and the gradual relaxation of pandemic-related restrictions. Also, during January, a new phenomenon in stock price manipulation emerged involving several companies, including a video-game company. Ultimately, stocks closed the month mixed, with the Russell 2000 and the Nasdaq gaining, while the Dow and the S&P 500 fell. Treasury yields, the dollar, and crude oil prices advanced.

Major equity indexes reached record highs in February, only to pull back by the end of the month. Fearful that inflationary pressures would mount, investors favored value stocks over growth, pushing small-cap and mid-cap stocks higher. Investors were encouraged by President Joe Biden's \$1.9 trillion stimulus proposal, accelerated vaccine distribution, and better-than-expected fourth-quarter corporate earnings. By the end of February, each of the benchmark indexes listed here posted gains led by the Russell 2000, which advanced more than 6.0%. The yield on 10-year Treasuries continued to grow, crude oil prices pushed past \$61 per barrel, and the dollar rose. Only 50,000 new jobs were added in February, although unemployment claims decreased.

Stocks continued to push higher in March. Several of the benchmark indexes posted noteworthy gains including the Dow (6.6%), the S&P 500 (4.2%), and the Global Dow (4.0%). The Russell 2000 (0.9%) and the Nasdaq (0.4%) advanced moderately. Among the sectors, industrials (8.1%), utilities (7.4%), consumer staples (6.5%), and materials (6.4%) led the way. Treasury yields and the dollar advanced, while crude oil prices and gold fell.

Overall, the first quarter was definitely eventful. Additional federal stimulus payments lined many pocketbooks; a group of amateur traders banded together through social media to drive shares of a video gaming company to astronomical heights; interest rates jumped, stoking fears that inflationary pressures were rapidly building; and equities ultimately enjoyed robust returns. The small caps of the Russell 2000

gained nearly 12.5%, the Global Dow climbed 9.4% and the large caps of the Dow (7.8%) and the S&P 500 (5.8%) posted solid gains. Tech shares, which had driven the market for much of 2020, slumped during the quarter, but still gained enough ground to push the Nasdaq up by almost 3.0%. Energy shares posted some of the biggest gains in the quarter, with that market sector surging over 30.6%. Financials jumped 18.0%, followed by industrials (12.0%), materials (10.8%), and real estate (10.0%). Only information technology failed to advance by the end of the quarter. The yield on 10-year Treasuries climbed more than 80 basis points. Crude oil prices increased, and the dollar rose. Gold prices fell nearly 10.0% in the first quarter. Year to date, the Russell 2000 is well ahead of its 2020 year-end closing value, followed by the Global Dow, the Dow, the S&P 500, and the Nasdaq.

The price of crude oil (CL=F) closed at \$59.32 per barrel on March 31, lower than the February 26 price of \$61.50 per barrel but well above the December 31 price of \$48.52. The national average price of retail regular gasoline was \$2.852 per gallon on March 29, up from the February 22 price of \$2.633 and 27.0% higher than the December 28 selling price of \$2.243. The price of gold finished March at \$1,708.40 per ounce, lower than the February 26 price of \$1,728.10 per ounce and significantly below its December 31 closing value of \$1,893.10 per ounce.

Stock Market Indexes

<u>Market/Index</u>	<u>2020 Close</u>	<u>As of March 31</u>	<u>Monthly Change</u>	<u>Qtr Change</u>	<u>YTD Change</u>
DJIA	30,606.48	32,981.55	6.62%	7.76%	7.76%
NASDAQ	12,888.28	13,246.87	0.41%	2.78%	2.78%
S&P 500	3,756.07	3,972.89	4.24%	5.77%	5.77%
Russell 2000	1,974.86	2,220.52	0.88%	12.44%	12.44%
Global Dow	3,487.52	3,813.59	3.98%	9.35%	9.35%
Fed. Funds	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps	0 bps
10-yr Treasuries	0.91%	1.74%	28 bps	83 bps	83 bps
US Dollar-DXY	89.84	93.23	2.55%	3.77%	3.77%
Crude Oil-CL=F	\$48.52	\$59.32	-3.75%	22.26%	22.26%
Gold-GC=F	\$1,893.10	\$1,708.40	-1.31%	-9.76%	-9.76%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Economic News

- **Employment:** There were 379,000 new jobs added in February after only 49,999 new jobs were added in January. In February, the unemployment rate fell by 0.1 percentage point to 6.2%, and the number of unemployed persons decreased by 150,000 to 10.0 million. Although both measures are much lower than their April 2020 highs, they remain well above their pre-pandemic levels in February 2020 (3.5% and 5.7 million, respectively). Among the unemployed, the number of persons on temporary layoff decreased in February by 517,000 to 2.2 million. This measure is down considerably from the recent high of 18.0 million in April but is 1.5 million higher than its February 2020 level. In February, the number of persons not in the labor force who currently want a job, at 6.9 million, was little changed over the month but is 1.9 million higher than in February 2020.

The number of employed persons who teleworked in February because of the coronavirus pandemic edged down to 22.7%, 0.5 percentage point lower than January. In February, 13.3 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. This measure is 1.5 million lower than in January. February saw notable job growth in leisure and hospitality (355,000), although employment in that area is down by 3.5 million over the year. Job growth also occurred in food services and drinking places (286,000); trade, transportation; and utilities (49,000); health care and social assistance (45,600); and professional and business services (63,000). The labor force participation rate was unchanged at 61.4%, and the employment-population ratio inched

up 0.1 percentage point to 57.6%. Average hourly earnings increased by \$0.07 to \$30.01 in February and are up 5.3% from a year ago. The average work week declined by 0.3 hour to 34.6 hours in February.

- **Claims for unemployment insurance** continued to drop. According to the latest weekly totals, as of March 13, there were 3,870,000 workers receiving unemployment insurance benefits, down from the February 20 total of 4,419,000. The insured unemployment rate fell 0.4 percentage point to 2.7%. During the week ended March 6, Extended Benefits were available in 16 states (18 states during the week of February 6); 51 states and territories reported 7,735,491 continued weekly claims for Pandemic Unemployment Assistance benefits (7,518,951 in February), and 51 states and territories reported 5,551,215 continued claims for Pandemic Emergency Unemployment Compensation benefits (5,065,890 in February).

- **FOMC/interest rates:** The Federal Open Market Committee met in March. According to the Committee statement, employment has turned up recently and, despite investor concerns, inflation continues to run well below 2.0%. The Committee continues to hold interest rates at their current 0.00%-0.25% target range and expects no change through 2023.

- **GDP/budget:** The gross domestic product advanced at an annual rate of 4.3% in the fourth quarter of 2020. The GDP increased 33.4% in the third quarter after contracting 31.4% in the second quarter. Consumer spending, as measured by personal consumption expenditures, increased 2.2% in the fourth quarter after surging 41.0% in the third quarter. Nonresidential (business) fixed investment climbed 13.1% following a 22.9% increase in the third quarter; residential fixed investment continued to advance, increasing 36.6% in the fourth quarter after soaring 63.0% in the prior quarter.

Exports advanced 22.3% in the fourth quarter (59.6% in the third quarter), and imports (which are a negative in the calculation of GDP) increased 29.8% in the fourth quarter (93.1% in the third quarter). Federal nondefense government expenditures decreased 8.9% in the fourth quarter following a third-quarter decline of 18.3% as federal stimulus payments and aid lessened. The GDP fell 3.5% in 2020 after increasing 2.2% in 2019. Personal consumption expenditures dropped 2.63%; nonresidential fixed investment declined 0.54%; residential fixed investment rose 0.23%; exports dropped 1.47%; imports rose 1.33%; and nondefense government spending advanced 0.15%.

- The federal budget deficit was a larger-than-expected \$310.9 billion in February, following January's \$162.8 billion deficit. The deficit is 32.0% higher than the February 2020 deficit of \$235.3 billion. The deficit for the first five months of fiscal year 2021, at \$1.047 trillion, is 68% higher than the first five months of the previous fiscal year. Through February, government outlays, at \$559.2 billion, were 32.0% above the February 2020 figure, while receipts, at \$248.3 billion, also increased 32.0%. The increase in government expenditures can be traced to a 125.0% jump in outlays for income security, an 859.0% increase in commerce and housing credits, and a 26.0% rise in health outlays.

- **Inflation/consumer spending:** Inflationary pressures eased in February. According to the latest Personal Income and Outlays report, consumer prices edged up 0.2% in February after advancing 0.3% in January. Prices have increased 1.6% from February 2020. Excluding food and energy, consumer prices increased 1.4% over the last 12 months. Both figures are well below the Fed's 2.0% target inflation rate. Personal income fell 7.1% in February after climbing 10.0% in January, and disposable personal income dropped 0.8% following January's 11.4% jump. The decrease in personal income in February is more a reflection of stimulus payments received in January, which accounted for that month's soaring income estimates. Consumer spending declined 1.0% in February after advancing 3.4% (revised) in January. Over the last 12 months, personal consumption expenditures (consumer spending) dipped 2.7%.

- The Consumer Price Index climbed 0.4% in February following a 0.3% rise in January. Over the 12 months ended in January, the CPI rose 1.7%. Gasoline prices continued to increase, rising 6.4% in February and accounting for over half of the CPI increase. Consumer prices less food and energy rose 0.1% in February. The CPI less food and energy prices is up 1.3% over the past 12 months. Food prices rose 0.2% in February after edging up just 0.1% in January. In February, prices for apparel fell 0.7% after climbing 2.2% the prior month. Prices for new vehicles were unchanged in February, while prices for used cars and trucks dropped 0.9% for the second consecutive month.

- Prices that producers receive for goods and services continued to climb in February, increasing 0.5% after advancing 1.3% in January. Producer prices increased 2.8% for the 12 months ended in February, which is the largest yearly gain since climbing 3.1% for the 12 months ended in October 2020. Producer prices less foods, energy, and trade services rose for the tenth consecutive month after advancing 0.2% in February. Food prices increased 1.3% in February after increasing 0.2% in January, while energy prices followed a 5.1% January increase by jumping 6.0% in February.

- **Housing:** The housing sector retreated in February, likely due to dwindling inventory. Nevertheless, sales of existing homes fell 6.6% in February after rising 0.6% in January. Over the past 12 months, existing home sales increased 9.1%. The median existing-home price was \$313,000 in February (\$309,900 in January), up 15.8% from February 2020. Unsold inventory of existing homes fell 29.5% from February 2020 and represents a 2.0-month supply at the current sales pace, slightly better than January's 1.9-month supply. Sales of existing single-family homes also dropped 6.6% in February after advancing 0.2% in January. Year over year, sales of existing single-family homes rose 18.6%. The median existing single-family home price was \$317,100 in February, up from \$308,300 in January.

- New single-family home sales plunged in February. New home sales dropped 18.2% after climbing 4.3% in January. Sales of new single-family homes have increased 8.2% since February 2020. The median sales price of new single-family houses sold in February was \$349,400 (\$346,400 in January). The February average sales price was \$416,000 (\$408,800 in January). The inventory of new single-family homes for sale in February represents a supply of 4.8 months at the current sales pace, up from the January estimate of 4.2 months.

Manufacturing: The manufacturing sector took a step backward last February as industrial production decreased 2.2%, the first such decline since last October. According to the Federal Reserve's report, industrial production advanced 1.1% in January. Manufacturing output fell 3.1% in February following January's 1.0% increase. Mining production dropped 5.4% in February after advancing 2.3% in January. February saw the output of utilities increase 7.4% after declining 1.2% the prior month. Total industrial production in February was 4.2% lower than its year-earlier level. According to the report, the severe winter weather in the south-central region of the country in mid-February accounted for the bulk of the decline in output for the month.

For the first time in 10 months, new orders for durable goods decreased, falling 1.1% in February after climbing 3.5% in January. Transportation, down following five consecutive monthly increases, led the decrease, sliding 1.6%. New orders for nondefense capital goods rose 5.6% in February after increasing 6.2% the previous month. A 103.3% increase in nondefense (commercial) aircraft and parts drove the jump in nondefense capital goods. Defense capital goods followed a 0.9% January decline by nosediving 10.6% in February.

- **Imports and exports:** Both import and export prices rose higher in February for the third consecutive month. Import prices climbed 1.3% in February following a 1.4% increase in January. Import prices rose 3.0% over the past year, the largest 12-month advance since increasing 3.4% from October 2017 to October 2018. Import fuel prices rose 11.1% in February following a 9.0% increase in January. The February rise was the largest advance since import fuel prices increased 15.2% in July 2020. Import fuel prices rose 6.5% over the past year, the first 12-month advance since a 13.2% increase in January 2020. Nonfuel import prices rose 0.4% in February following a 0.9% advance in January.

Export prices increased 1.6% in February after climbing 2.5% in January. For the year ended in February, the price index for exports rose 5.2%, the largest 12-month increase since the index advanced 5.3% in June 2018. Agricultural export prices increased 2.9% in February following a 6.0% jump in January. Nonagricultural exports rose 1.5% in February after increasing 2.2% in January.

- In February, the international trade in goods deficit was \$86.7 billion, up 2.5% over January's deficit. Exports fell 3.8% and imports declined 1.4%. For the 12 months ended in February, exports have fallen 5.4%, while imports have jumped 10.1%.

- The latest information on international trade in goods and services, out March 5, is for January and shows that the goods and services trade deficit was \$68.2 billion, 1.9% over the December deficit. January exports were \$191.9 billion, or 1.0%, more than December exports. January imports were \$260.2 billion, or 1.2%, more than December imports. Year over year, the goods and services deficit increased \$23.8 billion, or 53.7%, from January 2020. Exports decreased \$15.7 billion, or 7.6%. Imports increased \$8.1 billion, or 3.2%.

- **International markets:** Inflationary pressures may be ramping up globally. February saw consumer prices increase in several nations, including France, Germany, Italy, Canada, China, and Japan. In the markets, the EURO STOXX Europe 600 Index gained about 4.1% in March; the United Kingdom's FTSE inched up 1.1%; Japan's Nikkei 225 fell 1.3%; and China's Shanghai Composite Index plunged nearly 4.0%.

Consumer confidence: The Conference Board Consumer Confidence Index® surged in March to its highest reading in a year. The index stands at 109.7, up from 90.4 in February. The Present Situation

Index, based on consumers' assessment of current business and labor market conditions, increased from February's 89.6 to 110.0 in March. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, rose from 90.9 in February to 109.6 in March.

In Conclusion

With all of this in mind, we find ourselves comfortable with both the allocation and returns within your portfolios. But we are also in a position where diversification has, as expected in the short term, reduced returns – both internationally and with the meager yield of bonds. Mindful of the protection this provides in the event of downturns, continued short-term swings, and volatility, we continue to diligently and creatively look for yield and diversification around the globe. Bearing in mind that slower and steady wins the race.

Finally, vaccination rates continue to rise, as do the number of states that are thankfully once again open for business. We also find ourselves with an unprecedented amount of money in bank deposits here in the United States – roughly \$3.7 trillion – and are therefore encouraged by the hope of continued growth within the markets.

Warmest regards,

Financial Concepts Unlimited, Inc.

30 (B) West Street, Annapolis, MD 21401
301.315.6344 office
301.315.6343 fax
866.444.5122 toll-free

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock

exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

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