



Economic & Market Commentary

Optimism surrounding growing vaccination roll out, the latest round of fiscal stimulus, and the reopening of the U.S. economy, continued last week as stocks advanced while intermediate and long-term bond yields moved higher. Moreover, the rotation out of technology stocks in favor of cyclical and value stocks continued as well. With the sell off last Monday, the Nasdaq moved into correction territory but recovered by the end of the week while the Dow Jones Industrial Index continued to set new record highs. Another measure of the rotation are S&P 500 Index style returns. Year-to-date, S&P 500 value stocks have greatly outpaced growth stocks with total returns of +10.8% and +0.5% respectively. Fundamental valuation measures of U.S. stock markets remain well above historical averages. However, they are largely being blinded by the light of a pending rebound of robust economic and corporate earnings growth. Look no further than the 1-year total returns listed below to get a sense of high valuations. Those stunning numbers are correct and were double checked for accuracy. With the passage of the latest \$1.9 trillion economic relief package, upward revisions to 2021 U.S. economic growth are moving higher by +1.5%-2.5% to a majority full-year range of 5.5%-6.5%. There are a few outlier forecasts with higher 2021 economic growth estimates. In 2021, the U.S. economy could see its strongest growth year since 2005, which posted +6.7% growth. Bond yields have been moving higher in anticipation of the U.S. economic rebound and will likely increase further. A recent article by Bloomberg noted the gap between projected U.S. economic growth and the 10-year treasury is the largest since 1966. The article cited, "While the relationship between bond rates and the economy isn't stable, such a large divergence has been rare. Nominal GDP was less than 2 percentage points above 10-year yields on average in the decade through 2019."

Total Returns - March 12, 2021

	1-Wk	YTD	1-Yr
Russell 2000	7.36	19.33	112.16
S&P 400	5.35	14.99	88.36
Dow Jones	4.17	7.60	58.09
S&P 500	2.69	5.33	61.78
MSCI-Emerging	0.70	4.64	55.97
MSCI-Developed	3.00	3.68	52.04
NASDAQ	3.12	3.50	86.47
Barclay's U.S. Bond Index			
High Yield	-0.06	0.48	17.97
5-year Muni	0.20	-0.23	4.96
Municipal	0.42	-0.24	5.96
Int. Gov. Credit	-0.20	-1.75	2.07
Aggregate	-0.43	-3.35	0.88

Small Business Optimism



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	0.09	0.08	0.34
U.S. 2-Yr	0.15	0.15	0.50
U.S. 3-Yr	0.33	0.31	0.59
U.S. 5-Yr	0.84	0.78	0.65
U.S. 10-Yr	1.63	1.55	0.85
U.S. 30-Yr	2.40	2.29	1.41

Total Returns - March 12, 2021

Sector	1-Wk	YTD	1-Yr
Energy	1.15	41.77	91.30
Financials	3.20	18.08	75.44
Industrials	3.59	9.25	69.43
Materials	4.41	8.48	84.91
Communication Services	0.72	8.14	67.76
Real Estate	5.90	6.65	24.44
Consumer Discretionary	5.80	2.27	74.83
Health Care	1.42	1.00	37.70
Info Tech	1.87	0.78	76.62
Utilities	4.56	-0.54	18.41
Consumer Staples	2.25	-2.53	29.57

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	0.91	0.97	1.79
U.S. AA	1.00	1.08	1.89
U.S. A	1.32	1.39	2.23
U.S. Baa	1.87	1.93	2.88
U.S. Municipal	1.14	1.21	2.05
Michigan	1.21	1.26	2.14

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	22.17	16.04	1.42
S&P 400 - Mid Cap	20.45	15.78	1.16
S&P 600 - Small Cap	21.40	15.81	1.15