

March 29, 2021

# Weekly Viewpoint

## The Bull Market Turns One

### Performance for Week Ending 3.26.2021

The Dow Jones Industrial Average (Dow) finished up 1.36%, the Wilshire 5000 Total Market Index<sup>SM</sup> (Wilshire 5000<sup>SM</sup>) added 0.67%, the Standard & Poor's 500 Index (S&P 500) gained 1.57% and the Nasdaq Composite Index (NASDAQ) finished off 0.58%. Sector breadth was positive with 9 of the 11 S&P sector groups closing higher. The Real Estate sector (+4.23%) led the way higher followed by Consumer Staples (+3.90%) and Energy (+2.99%).

Index*	Closing Price 3/26/2021	Percentage Change for Week Ending 3/26/2021	Year-to-Date Percentage Change Through 3/26/2021
<b>Dow</b>	33072.88	+1.36%	+8.06%
<b>Wilshire 5000</b>	41720.14	+0.67%	+5.74%
<b>S&amp;P 500</b>	3974.54	+1.57%	+5.82%
<b>Nasdaq</b>	13138.72	-0.58%	+1.94%

### Market Observations: 3/22/21–3/26/21

The major market indices finished the week mixed with the tech-heavy Nasdaq Composite falling for the fifth time in the past six weeks. Investors continued to rotate out of stocks that prospered during the pandemic into sectors levered to the economic rebound. Last week Fed Chairman Powell and Treasury Secretary Yellen appeared virtually for two days of testimony. Talking with members of the House Financials Services Committee and the Senate Banking Committee, Powell said he expects the economy to experience superior growth in 2021 amid a recovery from the pandemic. Powell also indicated that he isn't concerned about the recent rise in long-term bond yields, saying they appear to reflect growing optimism about the economy's prospects. Secretary Yellen was pressed on her changing views on the risks of high and rising federal debt. Yellen said she believes the U.S. has more capacity to borrow than once thought, in part due to a decades long trend in falling interest rates, "but it certainly doesn't mean that anything goes." Last week also marked

the 1-year anniversary of the Bull Market. After plunging by nearly 34% from February 19 to March 23, the S&P 500 found its footing and has since rallied by over 77% through last Friday's close.

**Mixed Bag of Economic Data...** Severe winter weather during the month of February created a significant headwind for recently released economic data, although these trends are likely to reverse with the March reports. On the housing front, existing home sales fell 6.6% in February to a 6.22-million-unit annual rate, a six-month low. Sales were impacted by the weather in three of the four regions, with only the West posting a gain from the previous month. New home sales plunged 18.2% in February to a 775K unit annual rate, a nine-month low. Like the existing home sales report, new home sales suffered from severe winter weather across much of the country.

**... But Likely to Prove Temporary:** Despite the weather-related headwinds, growth expectations continue to move higher. According to the Federal Reserve's recently released March Summary of Economic Projections, Fed officials expect stronger economic growth, higher inflation and lower unemployment this year than they did in December. Their median projection showed the U.S. gross domestic product rising 6.5% in 2021, up from their December expectation of 4.2%. They expect unemployment to fall to 4.5% by year's end, from 6.2% in February. Their median expectation is for inflation to accelerate to 2.4% this year, up from a December projection of 1.8%. But officials expect inflation to slow to 2% in 2022 and 2.1% in 2023, reflecting expectations that this year's pickup in price pressures will be temporary.

**Bullish Narrative Intact:** Despite the recent uptick in volatility, we do maintain a favorable view on the equity markets and believe the bullish narrative remains intact. Our favorable view is based on the supportive Macro environment which we feel provides a sturdy backbone for additional upside as we look forward. While a near-term period of consolidation cannot be ruled out, we would view pullbacks as corrective in nature and not the start of a broader move lower. Hence, pullbacks would be viewed as a buying opportunity as we continue to believe the return profile over the next 12 to 24 months favors additional upside.

**The Week Ahead:** The focal point of the holiday shortened week (the stock market will be closed on Friday in observance of Good Friday) will be the March Payroll report. According to Bloomberg, nonfarm payrolls are expected to grow by 643K, and the unemployment rate is forecast to decline to 6.0% (from 6.2%). Other data reports of interest include; March Consumer Confidence, the ISM Manufacturing report for March, Construction Spending during February. The earnings calendar will be on the light side with just 5 members of the S&P 500 scheduled to report results. Just a handful of Fed speeches during the week, including Fed Vice Chair Randal Quarles on Tuesday. Also of interest will be President Biden's visit to Pittsburgh on Wednesday where he is expected to announce his plan for an infrastructure spending package. According to media reports, the White House is assembling a multipart spending plan that includes \$3 trillion for infrastructure, which would include roads and bridges, climate change and education. To pay for it, the administration is juggling a range of options: higher corporate taxes, a wealth tax, or a capital-gains increase.

## Definitions

**The Dow Jones Industrial Average** is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Wilshire 5000 Total Market Index<sup>SM</sup>** represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. The index is comprised of virtually every stock that: the firm's headquarters are based in the U.S.; the stock is actively traded on a U.S. exchange; the stock has widely available pricing information (this disqualifies bulletin board or over-the-counter stocks). The index is market cap weighted, meaning that the firms with the highest market value account for a larger portion of the index.

**Standard and Poor's 500 Index** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

**The Nasdaq Composite Index** is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

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