

March 15, 2021

Weekly Viewpoint

Markets Spring Ahead

Performance for Week Ending 3.12.2021

The Dow Jones Industrial Average (Dow) finished up 4.07%, the Wilshire 5000 Total Market IndexSM (Wilshire 5000SM) added 3.29%, the Standard & Poor's 500 Index (S&P 500) gained 2.64% and the Nasdaq Composite Index (NASDAQ) finished up 3.09%. Sector breadth was positive with all 11 of the S&P sector groups closing higher. The Consumer Discretionary sector (+5.74%) led the way higher followed by Real Estate (+5.71%) and Utilities (+4.41%).

Index*	Closing Price 3/12/2021	Percentage Change for Week Ending 3/12/2021	Year-to-Date Percentage Change Through 3/12/2021
Dow	32778.64	+4.07%	+7.10%
Wilshire 5000	41900.34	+3.29%	+6.19%
S&P 500	3943.34	+2.64%	+4.99%
Nasdaq	13319.86	+3.09%	+3.35%

Market Observations: 3/8/21–3/12/21

The major market indices finished the week higher with both the Dow and S&P 500 closing at new all-time highs on Friday. The Nasdaq broke a three-week losing streak to finish solidly higher. The rally was broad-based with all eleven of the S&P sectors finishing in the green. Driving the gains was the passage of the \$1.9T fiscal aid package, which President Biden signed into law on Thursday. The plan delivers \$1,400 checks to most Americans and will provide new health-insurance subsidies and child-tax credits, while extending \$300 per week supplemental unemployment benefits into September. The rollout of the Covid vaccine also continues to boost sentiment and has led to an easing of lockdowns. According to Bloomberg, as of midday Sunday 110 million Covid shots have been administered in the US.

Global Growth Revised Higher: Last week the Organization for Economic Cooperation and Development (OECD) said the global economic outlook has brightened as vaccine rollouts gain speed and the United

States launches the massive new stimulus package. The OECD now sees the world economy rebounding to 5.6% growth rate this year and to expand 4.0% next year versus their December forecast of 4.2% and 3.7%, respectively. The U.S. economy is expected to grow 6.5% this year and 4.0% next year. The group did add that significant risks loom over the improved outlook, notably in the form of how fast authorities get vaccine shots to people, how soon restrictions are lifted and whether new variants of the coronavirus are kept in check.

US Economic Recovery Continues: On the jobs front, the Labor Department report that initial jobless claims fell 42K last week to 712K, the lowest level in four months. Continuing claims dropped 193K to 4.144 million. The Bloomberg Consumer Comfort Index rose 0.5 points, its fifth consecutive gain, to 49.4, a four-month high. The uptick stemmed from a 2.1-point improvement in consumers' assessment of the state of the economy. Meanwhile, investors were soothed by a softer-than-expected reading on the February Consumer Price Index (CPI), which showed core consumer prices rising just 0.1% from the previous month. The report seemed to ease fears that the Biden stimulus package, surging commodity prices and accelerating vaccine rollouts would kindle faster inflation.

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 leg 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 coming week will be the two-day FOMC meeting on Tuesday and Wednesday. While the Fed is unlikely to announce changes to monetary policy, they are likely to update their economic projections with an upward revision to expected growth, a lower unemployment forecast, and a modestly higher inflation trajectory following the passage of President Biden's Covid19 relief package. The data release calendar is on the lighter side though there'll be a good deal of hard data from February released, including: industrial production, retail sales, housing starts and building permits. Lastly, it is a slow week for earnings with just 6 companies from the S&P 500 scheduled to report.

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 IndexSM 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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