



Philip G. Palumbo, CFP®
Chief Investment Officer



Doug Augenthaler, CFA® CFP®
Chief Portfolio Strategist

PWM Weekly Observations

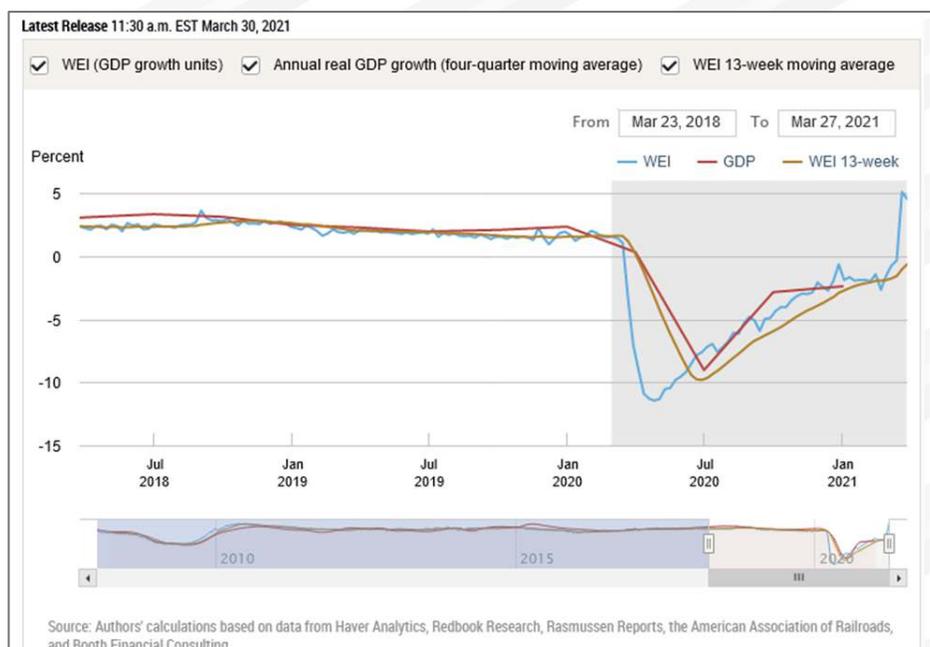
April 3, 2021

Economy: Full Steam Ahead

- **Unemployment remains high, but continuing claims remain in a downtrend.**
- **GDP is not back to pre-pandemic trendline, but early indicators say we are getting close.**
- **After the massive GDP decline last year, we should expect well above trendline growth this year as long as the vaccines work their magic.**

Investors remain focused on the future and appear less concerned about the past and the evidence is in the Weekly Economic Index from the New York Fed below. While the lagging statistics show we are not back at full strength, the current stats (blue line) suggest we are rapidly getting there as the economy re-opens.

The larger question as far as we are concerned is where all this levels out in 2022 and 2023. Our crystal ball is no better than others, but once the recovery surge is complete, we are hopeful for sustained growth above trendline which might give the FED its first opportunity to reverse some of the extreme measures taken during the pandemic and before. For now, the stock market remains focused on re-opening and the projected growth in earnings that typically brings to cyclical stocks.



Build Back Better (But How Do We Pay For It?)

- The Biden Administration released its infrastructure plan, a \$2.25 trillion package.
- Everyone agrees our infrastructure is old and tired, but no one agrees on how to pay for the repairs and that remains the primary stumbling block to action.
- The far left says it isn't enough and the far right says it costs too much, which we see as a realistic basis for compromise, but it isn't going to come easy or quick.
- Despite the size of the package, if passed, it will be spent over roughly 8 years, so the affect on the economy will be longer term.

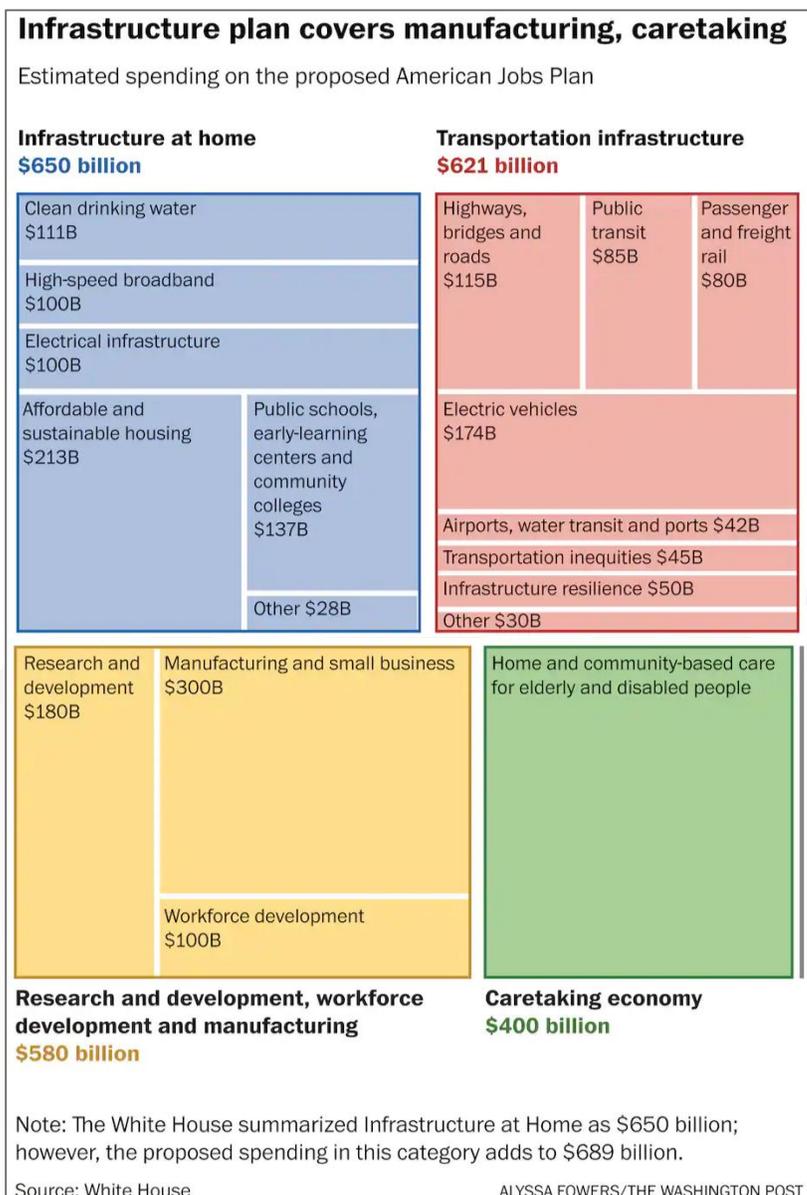
The Biden Administration laid out a wide-ranging infrastructure plan that has expanded the concept of infrastructure, linking projects to rebuild roads, bridges and mass transit with plans for R&D spending as well as care for the elderly and affordable housing. The basic game plan is laid out in the table at right.

While there is no question we are, and have been, in great need of upgraded infrastructure, a plan this ambitious will likely have problems working its way through Congress. To be sure, the expanded scope is a way to appease the left and limiting tax increases is a hopefully way to appease the right. This is not going to be easy.

The plan is mostly funded via an increase in the corporate tax rate from 21% to 28% and the Administration has stated that anything is on the table, as long as there is no tax increase for couples earning less than \$400,000 per year.

The proposal is receiving criticism from both extremes, which suggests to us that this is a good starting point, but it will test the President's power to reach across the aisle while keeping his support on the left.

We also believe that fiscal concerns here are not as dramatic as it may seem. This should not be perceived as more pandemic largesse. It is a far cry from simply writing checks to average Americans. Make no mistake, \$2.25 trillion is a lot of money, but this would be spent over 8 to 10 years and if a bill can be crafted well, there are plenty of growth benefits that can be achieved from the plan.





Archegos Capital – Yet Another Sign of Excessive Risk Taking

- Archegos Capital, a multi-billion-dollar, unregulated family office used exotic derivatives to take very large, leveraged stock positions. It collapsed under the weight of that debt when those stocks declined.
- Ironically, past financial disasters have forced central banks to reduce interest rates to extremely low levels and that has encouraged such risk taking. The lax attitude toward risk is also evident in the popularity of Bitcoin, SPACs and unprofitable technology stocks over the past year.

The failure of Archegos thankfully didn't create a domino effect in markets, but it is another notch in the belt for the idea that markets are frothy or bubbly. There have been numerous articles of late debating the bubble/no bubble issue, which we think is a waste of time. The label is not one we particularly like because it is very rare that the entire market is frothy. More likely, it is some segment of the market that is in a bubble and it usually isn't very hard to tell where that is. Over the last year, it is technology, particularly the tech companies with no earnings, that have been the key source of froth, particularly the companies coming public via [SPACs](#). Recognizing the bubbles is important because they can impact markets when they burst, which is what we care about. We're not investing in SPACs, or exotic derivatives, but we must stay diligent and stay diversified to address the broader market implications created when these products blow up.

What We're Reading

[*Goldman economist: We're in an acceleration phase \(4 min. video\)*](#)

[*SEC opens investigation into Bill Hwang after Archegos meltdown*](#)

[*El-Erian: Archegos 'is the third near accident this year so far'*](#)

[*Can Joe Biden recreate the U.S. economy he grew up with?*](#)

[*What Biden's infrastructure plan could mean for the US economy \(2 min. video\)*](#)

[*Global equities surge on factory data, stimulus hopes*](#)

[*The Dumbest Financial Story of 2021*](#)

[*Can the stock market crash during an economic boom?*](#)

[*Build America Bonds to be in Biden infrastructure plan*](#)

[*S&P 500 hits 4,000 on tech power, recovery optimism*](#)



Markets This Week

It was a comeback week for growth and technology, while the re-opening stocks took a breather. The NSDAQ 100 and Russell 1000 Growth Index led the broad averages higher for the week, each rising over 2%. Consumer Staples led the way down. Interest rates rattled around during the week, but ended little changed with most bond funds modestly higher for the week. Commodities rose 0.63% driven by the energy complex being up strongly while other commodities languished. OPEC+ announced that it will gradually increase production, but West Texas crude oil held above \$61, which was taken as another sign of growing economic activity.

US Equities	1 week	YTD	Fixed Income	1 week	YTD	Sector Breakdown	1 week	YTD
S&P 500 (SPY)	1.17%	7.50%	20+ Yr. Treasuries (TLT)	0.76%	-12.51%	Consumer Disc. (XLY)	2.02%	5.54%
Dow (DIA)	0.25%	8.86%	Barclays US Aggregate (AGG)	0.26%	-3.05%	Info. Technology (XLK)	2.12%	4.42%
NASDAQ (QQQ)	2.71%	3.58%	Intermediate Municipal (MUB)	0.18%	-0.55%	Financials (XLF)	0.29%	17.44%
Russell 1000 Growth (IWF)	2.30%	2.53%	US Corporate Bonds (LQD)	0.96%	-4.89%	Health Care (XLV)	-0.54%	2.95%
Russell 1000 Value (IWD)	0.24%	12.26%	Barclays US High Yield (HYG)	0.51%	0.80%	Utilities (XLU)	0.80%	2.80%
Vanguard Mid-Cap (VO)	1.20%	8.91%				Industrials (XLI)	0.47%	11.89%
Vanguard Small-Cap (VB)	1.52%	11.96%				Energy (XLE)	-0.24%	34.16%
						Materials (XLB)	-0.25%	10.26%
International Equities	1 week	YTD	Commodities	1 week	YTD	Consumer Staples (XLP)	-0.87%	1.33%
MSCI EAFE (EFA)	0.34%	5.35%	Commodities (PDBC)	0.63%	14.88%	Comm. Services (XLC)	3.17%	10.72%
MSCI Emerging (EEM)	1.11%	4.24%	Gold (GLD)	-0.16%	-9.18%	REITS (VNQ)	0.74%	10.77%
						Homebuilders (XHB)	1.06%	24.42%

The table above is an analysis of the weekly and year to date returns of various markets/sectors that we follow (More RED = worse performing markets/sectors; More GREEN = best performing markets/sectors). Source: IEX Trading & PWM Research.

Retirement Planning:

[Seven Retirement Surprises Millennials, Gen X'ers & Boomers Learned During Covid](#)

Many Millennials, Gen X'ers, and younger Boomers are surprised to learn that living at home for an extended period – and much like retirement – makes many of life's activities more difficult.

Estate Planning:

[Senate Estate And Gift Tax Bill Will Reduce Exemption To \\$3,500,000](#)

Bernie Sanders released his proposed estate and gift tax reform legislation, to the displeasure of many American families and their advisors.

Health:

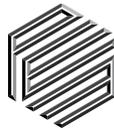
[Pfizer-BioNTech Announce Positive Results of COVID-19 Vaccine in Adolescents](#)

In participants aged 12-15 years old, BNT162b2 demonstrated 100% efficacy and robust antibody responses, exceeding those reported in trial of vaccinated 16-25 year old participants in an earlier analysis, and was well tolerated.

Entrepreneur:

[Nine Underrated Skills All Entrepreneurs Should Possess](#)

Because entrepreneurs task themselves with starting companies to develop solutions and generate value, it's vital that they have a specific set of skills that help them get the job done.



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