

View From the Top

JANUARY 19 2021

Quartz Partners Investment Management's weekly update summarizing key data and highlights from the market week.



MARKET DATA as of January 15, 2021

Index	Level	4 week %	YTD %
S&P 500	3801	2.12	0.39
Nasdaq Composite	13146	3.24	0.87
Dow Jones Industrials	31086	2.09	0.73
Russell 2000	2151	8.43	7.53
MSCI EAFE	2184	2.39	1.59
MSCI EMERGING	1358	7.29	5.26
BarCap US Agg Bond TR	2370	-0.41	-0.76
BarCap US High Yield TR	2345	1.10	0.35

	1.1%	10-year Treasury Yield		2.1%	5 Year Inflation Expectations
	2.8%	30-year Fixed Mortgage Rate		373	High Yield Spread (bps)
	\$52	Oil Price		\$1833	Gold Price
	\$2.40	Gasoline Price (national)		\$36,346	Bitcoin Price

STYLE RETURNS - 4 WEEK

STYLE RETURNS - YEAR TO DATE

FACTOR RETURNS

STYLE RETURNS - 4 WEEK			STYLE RETURNS - YEAR TO DATE			FACTOR RETURNS				
	Value	Core	Growth		Value	Core	Growth		4 week %	YTD %
Large	3.8	2.5	1.3	Large	2.8	0.8	-1.2	MOMENTUM	1.5	2.1
Mid	4.7	4.3	3.6	Mid	3.7	3.1	2.2	SIZE	8.4	7.5
Small	8.0	8.4	8.9	Small	7.8	7.5	7.3	LOW VOL	-0.5	-0.9
								DIVIDEND	2.1	1.7
								QUALITY	0.3	-0.8

TALKING POINTS

The stock market rose modestly last week, with the S&P 500 climbing 0.32%. Small caps continued their dominance since October, jumping 7.33% last week. The energy sector (+3.1%) saw the biggest gains, followed by Real Estate (+1.9%), with Communication Services falling the most (-3.6%). Treasury yields ended the week at 1.1% with the 10-year seeing demand after the sharp rise in yields since the beginning of the year. High yield spreads compressed further last week, down to 373 basis points after starting the year at 386bps. Overall, the major observable trends of the past 3 months continued, with small caps leading, interest rates facing upward pressure and high yield bond investors encouraged by ultra-low interest rates and massive liquidity.

US Retail Sales fell 0.7% in December, the third straight decline in the reading. On a year-over-year basis, retail sales have risen 2.9%, a remarkable feat

considering the obstacles that have faced consumers since December 2019. Taking a closer look into the latest report from the Commerce Department, there is clearly a "K-shaped" recovery, not only amongst working Americans, but also within the business sector. The following are 12-month percent changes in some notable industries:

- Non-store Retailers: +22%
- Building Materials: +14%
- Food & Beverage: +12%
- Electronic & Appliance Stores: -15%
- Gas Stations: -16%
- Clothing & Clothing Accessories: -26%

On Wednesday, the Consumer Price Index report showed a 0.4% jump in December prices, more than 60% of which can be contributed to an 8.4% jump in gas prices, according to the Bureau of Labor Statistics. Stripping out food & energy

yielded a 0.2% rise. On a year-over-year basis, core CPI rose 1.6%, well within the "low and subdued" range for the Index. Interest rates have been climbing since the fall, spurred by the reasoning that a Democrat President and Congress (the latter being realized following the early January run-off election in Georgia) will bring a surge in fiscal expenditures. Readings such as the CPI will be watched closely to see if inflation will finally return after a decade-long disinflationary regime. Bond investors are not the only ones that should be monitoring inflation & interest rates: low rates have been one of the most important rationalizations for the lofty valuations in many segments in the US equity market. In addition, the absence of inflation emboldens the Federal Reserve, and a trend above 2-2.5% inflation would make their decisions on stimulus more difficult.

QUARTZ PARTNERS P.R.I.C.E. MATRIX: MACRO OUTLOOK

3-6 MONTH OUTLOOK

- POLICY
- RISK PERCEPTION
- INFLATION & INTEREST RATES
- CREDIT & LIQUIDITY
- EARNINGS & ECONOMY

	NEGATIVE	NEUTRAL	POSITIVE
POLICY			
RISK PERCEPTION			
INFLATION & INTEREST RATES			
CREDIT & LIQUIDITY			
EARNINGS & ECONOMY			

P.R.I.C.E. QUICK TAKES

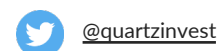
POLICY: market expects zero rates thru 2021, reinforced by communications from Federal Reserve; fiscal policy is exceedingly dovish; monitoring tax policy changes post-Congressional handover to Democrats...**RISK PERCEPTION:** The VIX remains elevated at ~21, although CNN's Fear & Greed Index reads well into Greed levels; equity momentum very positive, and complacency across the broad equity market is observed...**INFLATION & INTEREST RATES:** the 5-year TIPS breakeven spread has risen steadily since April, coinciding with a steepening of the 2/10 yield curve; the short-end is expected to remain muted unless Fed speak evolves into talks of tapering QE, which is not expected in the intermediate-term; the CPI remains low at 1.6% thru December...**CREDIT & LIQUIDITY:** A largesse of liquidity driven by the Fed & US Treasury has driven high yield spreads down to 2019 levels; market expects most companies to be able to access capital markets to rollover debt and/or raise new capital...**EARNINGS & ECONOMY:** the global economy remains in recovery mode and has outperformed expectations; earnings, esp. in technology and mega retail, are on the up and up thru Q4 2020.

RISK WATCH: 10-year yield on the rise, COVID lockdowns loom, possibility of hawkish tax policy (not in near-term).

THE WEEK AHEAD

China GDP (Mon) • Presidential Inauguration (Wed) • ECB Meeting (Thu) • Q4 Earnings Season (Ongoing)

Data as of 1/8/2021. See next page for index descriptions and important disclosures. Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. This material is provided for educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. Past Performance is not a guarantee of future results.



Past Performance is not a guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed are as of the date of this report and may change as subsequent conditions vary. Individual portfolio managers for Quartz Partners Investment Management may have opinions and/or make investment decisions that, in certain respects, may not be consistent with the information contained in this report.

The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by Quartz Partners Investment Management to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader. Investment involves risks. The stated investment preferences are the opinions of Quartz Partners Investment Management and do not reflect individual investors' risk and return goals. Individual investors should consult with their financial professional about how to implement these opinions in a portfolio that is suitable for their goals and risk tolerance. These views do not necessarily reflect the investment decisions made within specific Quartz Partners Investment Management portfolios.

Stock and bond values fluctuate in price so that the value of an investment can go down depending on market conditions. The two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments. There may be less information available on the financial condition of issuers of municipal securities than for public corporations.

Data Source: Morningstar, Federal Reserve, coindesk, US Energy Information Administration.

5-year inflation expectations are calculated as the yield difference between US Treasury Securities and Treasury Inflation-Protected Securities (TIPS) of the same maturity. High Yield Spreads are based on the ICE BofAML US High Yield Bond Index.

BENCHMARK INFORMATION

Large Value: Russell 1000 Value TR USD
 Large Blend: Russell 1000 TR USD
 Large Growth: Russell 1000 Growth TR USD
 Mid Value: Russell Mid Cap Value TR USD
 Mid Blend: Russell Mid Cap TR USD
 Mid Growth: Russell Mid Cap Growth TR USD
 Small Value: Russell 2000 Value TR USD
 Small Blend / Size: Russell 2000 TR USD
 Small Growth: Russell 2000 Growth TR USD
 Momentum: MSCI USA Momentum NR USD
 Quality: MSCI USA Quality NR USD
 Dividend: MSCI USA High Dividend Yield NR USD
 Low Volatility: MSCI USA Minimum Volatility (USD) NR USD

BENCHMARK DEFINITIONS

BBgBarc US Agg Bond TR USD: This index is comprised of approximately 6,000 publicly traded bonds including U.S. Government, mortgage-backed, corporate, and Yankee bonds with an approximate average maturity of 10 years.

BBgBarc US Corporate High Yield TR USD: Includes all fixed income securities having a maximum quality rating from Moody's Investor Service of Ba1, a minimum amount outstanding of \$100 million, and at least one year to maturity.

DJ Industrial Average TR USD: Computed by summing the prices of the stocks of 30 companies and then dividing that total by a split-adjusted value.

MSCI EAFE NR USD: This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-U.S., industrialized country indexes.

MSCI EM NR USD: captures large and mid cap representation across 27 Emerging Markets (EM) countries*. With 1,397 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI USA High Dividend Yield NR USD: The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

MSCI USA Minimum Volatility (USD) NR USD: composed of U.S. equities that, in the aggregate, have lower volatility characteristics relative to the broader U.S. equity market.

MSCI USA Momentum NR USD: measures the performance of U.S. large- and mid-capitalization stocks exhibiting relatively higher momentum characteristics.

MSCI USA Quality NR USD: The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.

NASDAQ Composite TR USD: The Nasdaq Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange.

Russell 1000 Growth TR USD: Tracks the companies within the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 TR USD: Consists of the 1000 largest companies within the Russell 3000 index, which represents approximately 98% of the investable US equity market. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose.

Russell 1000 Value TR USD: Tracks the companies within the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth TR USD: Tracks the companies within the Russell 2000 Index that have higher price-to-book ratios and higher forecasted growth values.

Russell 2000 TR USD: Consists of the 2000 smallest companies in the Russell 3000 Index.

Russell 2000 Value TR USD: Tracks the companies within the Russell 2000 Index that have lower price-to-book ratios and lower forecasted growth values.

Russell Mid Cap Growth TR USD: Tracks the companies within the Russell Midcap Index with higher price-to-book ratios and higher forecasted growth values.

Russell Mid Cap TR USD: Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell Mid Cap Value TR USD: Tracks the companies within the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.

S&P 500 TR USD: A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the U.S. stock market. TR (Total Return) indexes include daily reinvestment of dividends.

Quartz Partners Investment Management
 17 1st St, Suite 206, Troy, NY 12180
 Phone: (800) 433-0422
 info@quartzpartners.com

www.quartzpartners.com