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FEBRUARY 08 2021

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

QUARTZ PARTNERS INVESTMENT MANAGEMENT

MARKET DATA as of February 5, 2021

Index	Level	4 week %	YTD %
S&P 500	3887	4.4	3.6
Nasdaq Composite	13856	8.1	7.6
Dow Jones Industrials	31148	2.6	1.9
Russell 2000	5550	12.3	13.1
MSCI EAFE	2182	0.9	1.7
MSCI EMERGING	1395	5.8	8.2
BarCap US Agg Bond TR		-0.8	-1.1
BarCap US High Yield TR		1.0	1.0

1.17%	10-year Treasury Yield
2.3%	5 Year Inflation Expectations
2.7%	30-year Fixed Mortgage Rate
358	High Yield Spread (bps)
$57	Oil Price
$1,808	Gold Price
$2.50	Gasoline Price (national)
$37,851	Bitcoin Price

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

3-6 MONTH OUTLOOK

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**: Downgraded to Neutral from Somewhat positive; exuberance has picked up and we believe it has moved into extreme territory; expect any bad news to have a large effect on asset prices in the short-term….**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 Fedspeak 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 risks, possibility of hawkish tax policy (not in near-term), investor exuberance raises short-term downside risk.

STYLE RETURNS - 4 WEEK

	Value	Core	Growth
Large	4.3	4.8	5.3
Mid	5.6	5.9	6.5
Small	11.5	12.9	14.2

STYLE RETURNS – YEAR TO DATE

	Value	Core	Growth
Large	3.8	4.1	4.3
Mid	5.0	5.3	5.8
Small	12.2	13.1	14.0

FACTOR RETURNS

	4 week %	YTD %
MOMENTUM	7.7	8.0
SIZE	12.9	13.1
LOW VOL	1.1	-0.2
DIVIDEND	2.4	1.5
QUALITY	2.7	1.9

TALKING POINTS

The stock market put in yet another strong week, with the S&P 500 surging 4.7%. Small caps rose 7.7%, continuing their torrid pace since September of last year. The energy (+8.3%) and communication services (7.3%) sectors saw the biggest gains, while health care and utilities saw the smallest gains. Treasury yields ended the week at 1.17%, up from 1.09% to start the week, widening the 10/2 yield curve by 10 basis points. High yield spreads compressed last week as the risk-on trade plus steepening yield curve drove HY outperformance vs. Treasuries and Investment Grade corporates. Overall, this week was marked by continued exuberance in the stock market and market action that is typically associated with incoming fiscal stimulus (small cap outperformance and steepening yield curve).

The ISM manufacturing index missed expectations at 58.7 vs consensus expectations of 60.0. A 6.4% drop in the New Orders component of the monthly survey of factory managers dragged the Index lower. Purchasing managers are reporting a sharp increase in Prices (+4.5% in January), which could augur an upward trend in inflationary measures such as the Consumer Price Index when it is released on February 10th. The ISM index over the intermediate-term has shown a strong recovery in manufacturing since the unimaginable depths the sector faced in the spring of 2020.

The January jobs report was released on Friday, with a net 49,000 payrolls added, missing expectations for 85,000. **The unemployment rate fell from 6.7% to 6.3%**, yet another encouraging sign that policy stimulus has had a positive impact on the US economy, although it should be acknowledged that millions of Americans remain in a more precarious financial position than they did when the pandemic began. The absolute level of 6.3% remains elevated, which has laid the foundation for discussions and likely imminent approval of another round of fiscal stimulus.

THE WEEK AHEAD US Consumer Price Index (Wed) • Fed Chair Powell Speech (Wed) • Trump Impeachment Trial begins (Tue)

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Data Source: Morningstar, Federal Reserve, coindesk, US Energy Information Administration, Yardeni Research (sector performance).

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-tobook 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

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