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MARCH 10 2021

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



MARKET DATA as of March 9, 2021

Index	Level	4 week %	YTD %
S&P 500	3875	-0.8	3.5
Nasdaq Composite	13073	-9.8	-2.1
Dow Jones Industrials	31832	1.7	4.4
Russell 2000	2245	-2.3	13.8
MSCI EAFE	2195	-0.5	2.5
MSCI EMERGING	1317	-6.4	2.3
BarCap US Agg Bond TR		-2.0	-3.0
BarCap US High Yield TR		-1.0	0.3

	1.55%	10-year Treasury Yield		2.4%	5 Year Inflation Expectations
	3.0%	30-year Fixed Mortgage Rate		362	High Yield Spread (bps)
	\$64	Oil Price		\$1,716	Gold Price
	\$2.86	Gasoline Price (national)		\$54,824	Bitcoin Price

STYLE RETURNS - 4 WEEK

STYLE RETURNS - YEAR TO DATE

FACTOR RETURNS

	Value	Core	Growth
Large	3.6	-0.8	-6.0
Mid	4.2	-0.6	-9.9
Small	6.2	-2.3	-9.9

	Value	Core	Growth
Large	8.7	3.5	-1.5
Mid	10.9	6.1	-2.3
Small	22.5	13.8	5.9

	4 week %	YTD %
MOMENTUM	-10.3	-2.3
SIZE	-0.6	13.8
LOW VOL	-1.3	-1.1
DIVIDEND	1.3	3.1
QUALITY	-2.2	0.3

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:** 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; I&I has become the key headwind for the market and could require intervention by the Fed in the form of Operation Twist (sell short-end, buy long-end) or similar; the CPI remains low at 1.7% thru February...**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, inflation as the risk de jour, possibility of hawkish tax policy (not in near-term).

TALKING POINTS

The stock market saw mixed performance last week, with the S&P 500 rising 0.8% and the Nasdaq Composite slipping 2.1%. Rising interest rates have weighed on the tech-heavy Nasdaq, which have been tagged by some as a duration play that is highly sensitive to rising rates. The energy (+6.1%) sector was the clear winner last week, boosted by surging oil prices, while Information Technology put in the worst showing (-2.0%).

Treasury yields currently sit at 1.55%, and the 10/2 yield curve continues to widen on rising inflation expectations, as evidenced by the 5-year TIPS spread which has moved 100bps higher since the October 2020 rally began. High yield spreads have held steady since last week and are now at 362bps. The resolve in the sector in the face of a sharp correction in US Treasuries and technology stocks is an encouraging sign. Overall, last week was

marked by small cap outperformance and a fair amount of unease around the sharp rise in interest rates this year.

The Senate passed a long-awaited \$1.9 trillion stimulus package last week, with the bill now headed to the House for a vote on Wednesday, March 10. Included in the package are the following:

- \$1,400 stimulus checks for qualified Americans;
- \$350 billion in state and local aid
- An extension of federal unemployment benefits
- \$7 billion in additional funding for the Paycheck Protection Program (PPP)

A hike in the minimum wage, a contentious topic pushed hard by the left, could not find its way into the final bill.

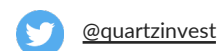
379,000 jobs were added in February, according to the latest report from the Bureau of Labor Statistics. The unemployment rate remained at 6.2%, significantly higher than the desired range, although the economy is still recovering from the pandemic's impact - and doing so in strong fashion.

The monthly Consumer Price Index report has moved up the ladder of importance this year as investors look for signs that inflation risks are imminent. The February report, released on Wednesday, allayed some concerns after it showed just a 0.1% monthly rise in the Core CPI and a 0.4% rise in the headline figure, which includes food and energy. With the national vaccination program forging ahead, yet another stimulus package soon to be finalized, and with consumers eager to spend, inflation is the most likely headwind, if any, for the bond and stock markets.

THE WEEK AHEAD

House Vote on Stimulus (Wed) • Consumer Price Index (Wed) • 10-year Bond Auction (Wed) • Producer Price Index (Fri)

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.



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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, 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-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.

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