

# View From the Top

APRIL 26 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	4180	7.0	11.8
Nasdaq Composite	14017	6.0	9.0
Dow Jones Industrials	34044	5.1	11.9
Russell 2000	2271	4.0	15.3
MSCI EAFE	2287	3.7	7.4
MSCI EMERGING	1353	2.4	5.2
BarCap US Agg Bond TR		0.7	-2.4
BarCap US High Yield TR		1.4	1.7

	1.57%	10-year Treasury Yield		2.4%	5 Year Inflation Expectations
	2.97%	30-year Fixed Mortgage Rate		329	High Yield Spread (bps)
	\$63	Oil Price		\$1,785	Gold Price
	\$2.95	Gasoline Price (national)		\$48,542	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	5.82	7.07	8.41	Large	15.21	11.68	8.41	MOMENTUM	9.0	8.1
Mid	6.68	7.15	8.09	Mid	18.13	14.05	6.82	SIZE	4.0	15.3
Small	4.74	4.02	3.27	Small	23.57	15.33	7.72	LOW VOL	6.4	7.0
								DIVIDEND	5.2	10.4
								QUALITY	7.9	9.6

## TALKING POINTS

The stock market fell slightly last week, with the S&P 500 falling 0.1% and the Nasdaq Composite slipping 0.3%. News that capital gains taxes may be raised in 2021-2022 weighed on equities. The real estate (+2.0%) sector was the clear winner last week with Energy (-1.8%) and Utilities (-0.9%) falling the most last week.

The White House is putting together a major overhaul in spending and taxation, with details expected to be announced this week. The "American Families Plan" would spend heavily on social projects such as affordable college education and childcare. To pay for these projects, the Biden Administration has indicated that it wishes to fund expenditures through tax increases for the wealthy, defined loosely by the Biden team as joint filers making more than \$400,000 per year. The most jarring aspect of the tax plan for investors was the

expected recommendation for a capital gains tax rate hike from 20% to a max of 39.6%. The last time the rate was this high was in the 1970's, an unfortunate analogy given the stock market's tumultuous stagnation during that period. After a sharp drop upon release of the plan, stocks have stabilized as details have yet to emerge and as investors anticipate aggressive resistance from the Congressional right. As we have mentioned in our *Risk Watch*, hawkish tax policy could present a major headwind for stocks, although there is much work ahead for the Biden Administration if they wish to see this original framework pass through the Senate and House.

25% of S&P 500 companies have reported Q1 earnings, and the results are encouraging: according to FactSet, **84% have reported better than expected profits**. FactSet also notes that if

this number holds, it will mark the best quarter in terms of this metric since they began tracking it in 2008. Robust demand from both consumers and capital investors (both debt and equity) has provided a remarkable backdrop for companies over the past 6 months.

There is perhaps no better example of the mania in speculative assets (with a close second perhaps going to NFTs, or Non-Fungible Tokens) than in Dogecoin, a cryptocurrency created in 2013. Marked by the image of a Shiba Inu dog, the "meme" crypto has exploded this year and now boasts a \$9.1 billion market cap, despite lacking the widespread usage or supply cap of cryptocurrencies such as Bitcoin. Dogecoin's rise is likely to be the posterchild of the 2020-? era in risky assets and brings into focus the question de jour: how long can it last?

## 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		-2	
RISK PERCEPTION			
INFLATION & INTEREST RATES			
CREDIT & LIQUIDITY			
EARNINGS & ECONOMY			

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

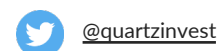
**POLICY:** market expects zero rates thru 2021, reinforced by communications from Federal Reserve; fiscal policy has turned negative on Biden tax plan; in the absence of renewed support from the Fed, overall policy risk is now neutral with a negative tilt...**RISK PERCEPTION:** Exuberance has picked 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 (now in the spotlight), "irrational exuberance" showing up in several market segments.

## THE WEEK AHEAD

Bank of Japan Policy Statement (Mon) • Federal Reserve Policy Statement (Wed) • OPEC Meeting (Wed) • Q1 Advance GDP (Thu)

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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