

# View From the Top

NOVEMBER 15 2021

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



## MARKET DATA as of 11/12/2021

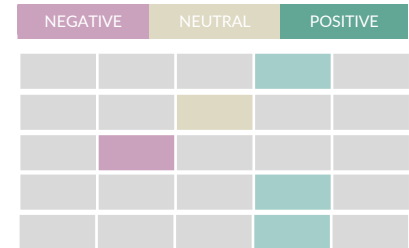
Index	Level	4 week %	YTD %
S&P 500	4697	7.8	26.2
Nasdaq Composite	15861	9.7	23.8
Dow Jones Industrials	36236	5.1	19.8
Russell 2000	2421	8.0	23.1
MSCI EAFE	2634	4.5	12.5
MSCI EMERGING	1285	2.6	1.4
BarCap US Agg Bond TR		0.2	-1.7
BarCap US High Yield TR		0.7	4.7

1.56% 10-year Treasury Yield	3.1% 5 Year Inflation Expectations
2.98% 30-year Fixed Mortgage Rate	306 High Yield Spread (bps)
\$82 Oil Price	\$1,850 Gold Price
\$3.51 Gasoline Price (national)	\$64,015 Bitcoin Price

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

### 3-6 MONTH OUTLOOK

- 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 escaped the negative catalyst of tax hikes via pared down infrastructure bill; Fed taper expected to be digested unless inflation rises to levels that require rate hike...**RISK PERCEPTION:** Exuberance remains in extreme territory, the 2020-? market period will be looked back upon similar to the late 1990s; 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 despite a narrowing 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, although not currently at such extreme levels; the CPI has picked up steam, raising short-term inflation risk...**CREDIT & LIQUIDITY:** Historic 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 SUPPLY chain is the #1 headwind for the global economy and has yet to be resolved. Watching retailers for ability to meet holiday demand in the face of these disruptions.

**RISK WATCH:** 10-year yield on the rise, inflation as the risk de jour, supply chain disruptions, "irrational exuberance" showing up in several market segments, China credit crisis on watch.

### STYLE RETURNS - 4 WEEK

### STYLE RETURNS - YEAR TO DATE

### FACTOR RETURNS

	Value	Core	Growth		Value	Core	Growth		4 week %	YTD %
Large	5.0	7.6	9.9	Large	23.9	25.3	26.6	MOMENTUM	6.8	17.4
Mid	5.6	6.6	8.3	Mid	27.8	24.9	19.7	SIZE	8.0	23.1
Small	6.8	8.0	9.3	Small	34.3	23.1	12.9	LOW VOL	5.5	16.0
								DIVIDEND	5.3	16.7
								QUALITY	9.7	25.8

## TALKING POINTS

The stock market finished slightly down last week, with the S&P 500 slipping -0.3% while the Nasdaq Composite fell 0.7%. Small cap stocks gave up some of its strong gains from the week before, with the Russell 2000 Small Cap Index falling 1.8%. The Consumer Discretionary (-3.2%) and Energy (-1.7%) sectors saw the biggest drops, while value plays Materials (+2.5%) and Industrials (+0.4%) finished the week with gains. Treasury yields popped higher on renewed inflation concerns, with the 10-year benchmark yield rising to 1.58% from 1.45%. High yield bond spreads fell slightly last week from 312bps to 306bps.

Inflation data figured prominently in market action last week, with two key releases confirming that **inflationary pressures are building rapidly**. On Tuesday, the Producer Price Index figure came in at +0.6% sequentially and 8.6% on a year-over-year basis. On Wednesday, the Consumer Price Index

(CPI) was released, which showed a 6.2% year-over-year rise in prices, the highest annual rate since December 1990. Digging into the CPI release, it is clear the spike in energy prices since the collapse of last year is a key driver of year-over-year inflation: energy prices as a whole have surged 30% since October 2020, while the gasoline component has skyrocketed 49.6%. The Fed's conviction that the worrisome inflation figures will be transitory is likely tied to forecasts that energy prices will come back to earth over the coming months. The conviction may also come from the lessons of the past 40 year: Secular trends in the US have been suppressing longer-term inflation, namely the aging demographic, globalization, the deflationary impact of technological advancements, and the stubbornness of wage inflation as the minimum wage fails to keep up with price hikes in key areas such as health care and tuition.



## THE WEEK AHEAD

US Retail Sales (Tue) • US Industrial Production (Tue) • FOMC Member Speeches (all week)

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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