MARKET
INSIGHT
MONTHLY

OUR THOUGHTS

UNITED BANK
Wealth Management

"The real key to making money in stocks is not to get scared out of them."
-- Peter Lynch

We thank you for your continued faith and trust in United Wealth Management. We have attached our Market Insight Monthly update for your review. Each month we provide a markets overview and highlight topical themes which have played a significant role in market activity.

Last month marked the one-year anniversary of the bottom of the vicious pandemic-induced bear market for the S&P 500 Index. Despite the turmoil of the past year, investors who did not get scared out of stocks have had a lot to smile about. The S&P 500 completed its greatest one-year rally from a bear market low in history, gaining nearly 75% as the arrival of vaccines facilitated additional segments of the economy to reopen.

While never crystal clear, the first year of a new bull market can provide evidence that the market has reversed its negative direction and is more likely to sustain an upward bias. However, year two of that bull market has a knack for challenging investors. That second year has still historically provided solid returns for stock investors, yet often comes with greater uncertainty leading to greater volatility. Gains over the next year may not come as easily. The average pullback in the second year has been more than 10% when following a bear market with losses of over 30% as we saw in 2020.

There continues to be plenty of reasons to remain positive on the investment landscape going forward. It is too early to declare complete victory against COVID-19. But significant progress in that battle has been made this year, even in the face of new variants. According to the Centers for Disease Control and Prevention (CDC), half of the U.S. population above the age of 65 has been fully vaccinated, while a third of the total population has received at least one dose of the vaccine. We expect this trend to accelerate in the coming weeks, as millions more Americans become eligible.

The progress against the virus combined with historic stimulus measures have certainly helped the U.S. economy emerge from the shadow of the pandemic. Roughly $1.9 trillion in pandemic relief was signed into law on March 11, including additional direct payments to households to help provide a bridge to the end of the pandemic. A $2 trillion infrastructure bill could be enacted later this year, which would represent yet another stimulative shot in the arm for the economy.

We are optimistic that the battle with COVID-19 is likely winding down, the U.S. economy could see its best year of growth since 1951, and we should continue to see benefits from record monetary and fiscal stimulus. These developments are likely to provide the ingredients for record corporate earnings and solid stock market gains through the remainder of the year.

As always, United Wealth Management is dedicated to your financial well-being. We stand ready to act and take advantage of opportunities when they arise. We welcome your calls and correspondence so that we can continue to offer exceptional service and provide our latest thoughts on the market.

Please contact us if you have any questions.

Sincerely,
Your United Wealth Management Team

April Update

MONTHLY COMMENTARY

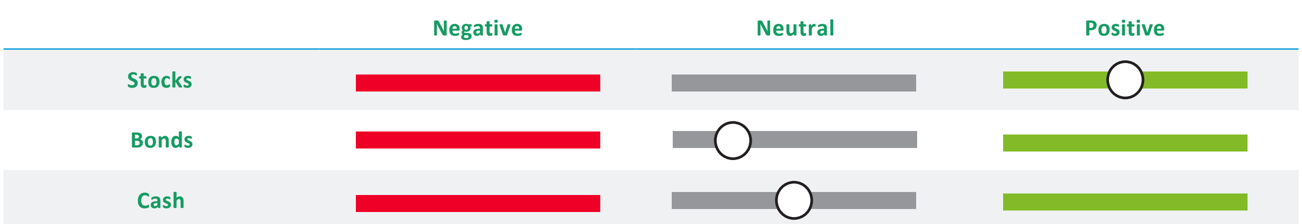
The resilient economy has been evidenced by weekly, if not daily, reports of solid corporate growth and solid consumer activity. Because this growth has demonstrated its longevity and expanded into segments which had previously been greatly impacted by the COVID-19 pandemic, we now feel that U.S. gross domestic product (GDP) will exceed our previous forecasted range of 5 - 5.5% to perhaps 6.25% - 6.75%. With stronger economic growth comes more revenue opportunities for corporate America, so we have also raised our S&P 500 Index earnings per share (EPS) forecast for 2021, to a range of $175 - $177.50, up from $170. The stronger economic growth outlook led us to increase our year-end forecast for the 10-year Treasury yield to a range of 1.75% - 2.00%, up from 1.25% - 1.75%. It is reasonable to expect a pickup in volatility during the second year of a bull market.

INVESTMENT TAKEAWAYS

- Our equities recommendation remains overweight. We continue to favor stocks over bonds based on our expectation for a very strong economic and earnings recovery in 2021, supported by an accelerating vaccine rollout, an anticipated full reopening of the U.S. economy, and massive fiscal and monetary stimulus.
- As the economic recovery progresses in 2021, we would expect cyclical value stocks to get a boost, but fundamentals remain very strong for the growth style.
- Key near-term risks include further increases in interest rates from modest inflationary pressures, possible COVID-19 virus variants, likely tax increases (ETA 2022), and potentially tougher regulations under a Democratic-controlled Congress.
- We continue to favor emerging markets (EM) stocks over their developed international counterparts on a superior economic growth outlook and attractive valuations, though geopolitical and regulatory threats may lead to bouts of volatility and China tariffs may remain in place.
- We continue to recommend an underweight allocation to fixed income. Although we've seen a big move higher in rates, Fed policy and manageable inflation may limit the risk of a large rate move in the near term. Further rising rates may still put some pressure on bond returns while economic improvement may help support equities going out a full year.
- We favor a blend of high-quality intermediate bonds.

BROAD ASSET CLASS VIEWS

Views on Stocks, Bonds, and Cash



EQUITY ASSET CLASSES

We favor stocks over bonds in 2021 based on our expectation for a very strong economic and earnings recovery this year, supported by an accelerating vaccine rollout, an anticipated full reopening of the U.S. economy, and massive fiscal and monetary stimulus. We expect the economic rebound to pick up steam as the economy more fully reopens, which may help boost performance for cyclical value stocks in the near term. We continue to favor emerging markets (EM) stocks over their developed international counterparts on a superior economic growth outlook and attractive valuations.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			We maintain a positive view of large cap companies with a very slight underweight in deference to small cap. The relatively greater financial strength enjoyed by most large cap companies helped during the pandemic. But smaller market cap companies tend to perform better early in economic expansions and during the early stages of bull markets, which has driven significant small cap outperformance since fall 2020.
	Mid Caps			Mid caps enjoy some of the early cycle characteristics of small caps, and therefore, should perform well as a more durable recovery develops. We believe mid cap stock valuations are more attractive than those of small caps in general.
	Small Caps			We maintain an overweight tilt to small caps. The early-stage bull market, economic expansion and strong earnings rebound provide tailwinds for small cap stock relative performance. Valuations appear reasonable.
Style	Growth			Our style views remain balanced between growth and value. We believe growth stocks will continue to be bolstered by strong earnings trends and favorable positioning for the pandemic in the near term. But as more of the economy reopens and economic growth accelerates in the spring, cyclical value stocks may get a boost.
	Value			A durable economic recovery is emerging, which we expect to support cyclical value stocks in the near term. Value stocks remain attractively valued relative to their growth counterparts and tend to perform relatively well when economic growth accelerates. Our recent upgrades of financials and energy tilted toward value.
Region	United States			Among developed markets, we remain U.S.-focused. We see solid gains for U.S. stocks in 2021, but the gap between U.S. and developed international stocks has started to narrow and may close further as the pandemic is brought under control globally.
	Developed International			Our outlook for developed international equities remains neutral, but we could potentially warm up to European equities once the pandemic is brought under control in the Eurozone, particularly if the U.S. dollar weakens. Among non-U.S. developed markets, we prefer Asia over Europe based on the region's massive stimulus efforts and relative success containing COVID-19.
	Emerging Markets			We continue to favor emerging markets (EM) stocks over their developed international counterparts on a superior long term economic growth outlook and attractive valuations, though geopolitical and regulatory threats may lead to bouts of volatility and tariffs may remain in place.

FIXED INCOME

Limit Rate Sensitivity With Intermediate Focus

We suggest a blend of high-quality short-to-intermediate bonds in tactical portfolios. We expect the 10-year Treasury yield to remain between 1.4–2.0% in 2021 as economic activity continues to recover. Compensation for longer-maturity, rate-sensitive bonds remains unattractive. We still see incremental value in corporate bonds for non-taxable clients, but credit spreads have little room for further tightening.

We favor municipal bonds as a high-quality option for taxable accounts, although valuations relative to Treasuries have normalized. Additionally, select positions in high yield municipal bonds offer an attractive yield. The latest proposed stimulus package is expected to provide additional muni-related support.

		Low Medium High	Rationale
Positioning	Credit Quality		Credit spreads have tightened significantly, but the economic outlook may be supportive.
		Short Int. Long	
	Duration		Concerns over rising interest rates with the prospects of economic acceleration increase interest-rate risk.

COMMODITIES

Our precious metals view is neutral. The attractiveness of precious metals is further reduced by the improving economic outlook, rising interest rates, and recent firmness in the U.S. dollar.

Our crude oil outlook is neutral to positive. At the same time, the global demand outlook has improved recently as the end of the pandemic comes into view, and higher oil prices have increased the amount of profitable available production. Our concerns remain that the U.S. supply overhang may limit further upside potential for prices and the potential for more production internationally as prices rise. The latest jump in travel bookings is encouraging.

CONCLUSION

As referenced in last month's insight, our confidence in a full economic recovery continues to grow. A fully reopened economy is closer to becoming a reality. With more than three million shots going in people's arms each day, the resilience of the U.S. consumer and U.S. businesses have contributed to this massive economic rebound. The funds received from the passing of the fiscal stimulus bill combined with a fully supportive Federal Reserve solidifies the bull market case.

The battle against COVID-19 isn't over. The vaccine rollout, as we now know, will take more time. As we examine market risks, we continue to believe these risks are manageable at this point and believe the market will continue to look forward to post-pandemic life.

Disclosures

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing.

All performance referenced is historical and is no guarantee of future results. All indexes are unmanaged and cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

Economic forecasts set forth may not develop as predicted.

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