MARKET
INSIGHT
MONTHLY

OUR THOUGHTS

UNITED BANK
Wealth Management

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.

It has now been over a year since COVID-19 first hit American shores. While the pandemic has impacted everyone differently, we can all agree that life is certainly different today than it was a year ago.

With Johnson & Johnson's vaccine approval, we now have three vaccines available in the United States—and some semblance of normal is fast approaching. COVID-19 cases and hospitalizations have dropped significantly over the past two months. More businesses have reopened. Our children are going back to school. More diners are headed to restaurants. Air travel has picked up.

The US economy—though not back to normal yet—is poised to potentially recover all of its lost output from last year's recession during the first half of this year. Shoppers are doing their part as retail sales jumped 5.3% in January—the strongest month-over-month increase in seven months. Consumers' coffers were replenished by the federal government's roughly $900 billion stimulus package passed in December 2020. US household savings are now $1.4 trillion above last year's levels, according to the Bureau of Economic Analysis, which should provide fuel for more pent-up spending after restrictions are lifted.

The bridge policymakers began to build a year ago to the end of the pandemic is getting even stronger. Congress has passed another fiscal stimulus package worth over $1.9 trillion including more direct aid to consumers and supplemental unemployment insurance. Meanwhile, the Federal Reserve continues to provide unwavering support for the economy. Our economy's resilience, coupled with this significant fiscal and monetary support, has enabled stocks to perform well above normal expectations.

Some fear the economy has too much support. A healing labor market with about 10 million fewer jobs than a year ago suggests that more help is needed. As the economy fully opens, our team will watch inflation closely for signs of overheating. The Federal Reserve may have to pump the brakes sooner than anticipated.

Normal is approaching—or at least the post-pandemic version of normal. Stocks and bonds are both telling us we have a lot to look forward to as the economy moves closer to a full reopening. COVID-19 still presents risks of course, and stocks may be due for a pause after such a strong run. But ultimately, we believe the backdrop of improving economic growth, supportive fiscal and monetary policy, rebounding corporate profits, and improving COVID-19 trends will be a favorable one for stocks over the balance of the year.

United Wealth Management is very pleased to provide its expertise and capabilities to our valued clients. Our team continues to evaluate both risks and opportunities on your behalf. We welcome your calls and correspondence so that we can continue to offer exceptional service and provide our latest thoughts on the market and your financial well-being.

Sincerely,
Your United Wealth Management Team

MARKET INSIGHT MONTHLY

March Update

MONTHLY COMMENTARY

UNITED BANK
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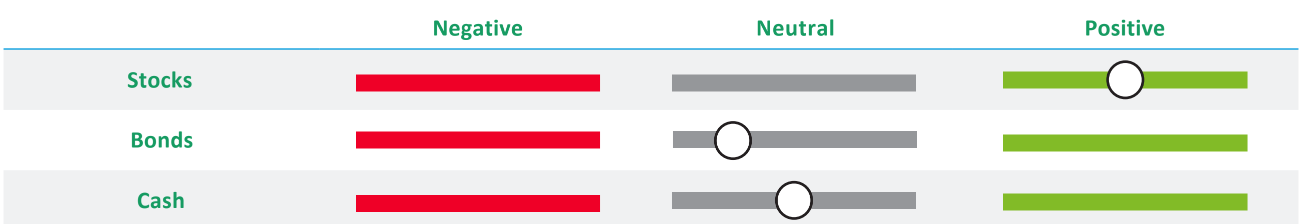
Due to our optimistic expectations for US economic growth and corporate profits, our equity outlook remains positive. Recently enacted fiscal stimulus, progress in significantly reducing COVID-19 cases, and the ramping up of vaccine distribution underpin and confirms our optimism. A strong earnings rebound may enable stocks to grow into somewhat elevated valuations.

INVESTMENT TAKEAWAYS

- Our equities recommendation remains overweight. We continue to favor stocks over bonds based on our expectation for a strong economic and earnings recovery in 2021, supported by prospects for additional fiscal stimulus, and continued progress in combatting COVID-19.
- As the economic recovery progresses in 2021, we would expect cyclical stocks to get a boost.
- Key near-term risks include further sharp increases in interest rates, possible COVID-19 variant viruses, potential tax increases (unlikely until 2022), and tougher regulations under a Democratic-controlled Congress.
- We expect solid economic growth across Asia to support strong performance by stocks in emerging markets (EM). EM may garner additional support from potential easing of US-China trade tensions, although ongoing geopolitical and regulatory threats may lead to bouts of volatility.
- We continue to recommend remaining underweight fixed income. Although we've seen a big move higher in rates, Federal Reserve (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 with an emphasis on short-to-intermediate maturities.

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 strong economic and earnings recovery, supported by additional fiscal stimulus, continued progress combating COVID-19, and still-low interest rates. We expect the strong rebound in economic growth as the economy moves closer to a full re-opening to help the performance of cyclical stocks, which could continue to outperform their growth counterparts in the near term. We expect solid economic growth across Asia to support strong performance from emerging market (EM) stocks over their developed international markets counterparts.

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization	Large Caps			The relatively greater financial strength enjoyed by most large cap companies has 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 in recent months.
	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.
	Small Caps			The early-stage bull market and beginning of the new economic expansion provide tailwinds for small cap stock relative performance. We see valuations as reasonable and justified by earnings. At some point, a pause or pullback may be warranted with the Russell 2000 Index up more than 125% since its March 18, 2020 lows.
Style	Growth			We have moved to a balanced style view of 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 the threat of COVID-19 subsides and the economic recovery potentially picks up steam in the spring, cyclical stocks may get a boost.
	Value			If a strong and durable economic recovery emerges in the coming months as we expect, we would expect cyclical stocks to perform well. Value stocks remain attractively valued relative to their growth counterparts and tend to perform relatively well when economic growth accelerates.
Region	United States			Among developed markets, we remain US-focused, but international developed equities remain interesting as the world moves closer to the end of the pandemic. We see solid gains for US stocks in 2021, but the gap between US and developed international stocks has started to narrow.
	Developed International			As a more durable economic expansion materializes performance for European and Japanese markets may improve. We give the edge to Japan over Europe based on the country's massive stimulus efforts and relative success containing COVID-19.
	Emerging Markets			We expect solid economic growth across Asia to support outperformance by emerging market equities over developed markets in 2021. China has led the way out of the global health crisis and is the only major economy in the world that grew in 2020. US-China tensions may calm some under a Biden administration, though political instability in certain emerging countries carries risk.

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.

Positioning		Low	Medium	High	Rationale
	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 and rising interest rates. The potential for US dollar weakness may help attract some interest in the gold commodity and support the price.

Our crude oil outlook is generally positive. 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 the US supply overhang that may limit further upside potential for prices, the potential for more production internationally as prices rise, and the likely slow recovery in travel-related demand, particularly air travel.

CONCLUSION

Our confidence in a full economic recovery is continuing to grow. A fully reopened economy is closer to becoming a reality. Falling COVID-19 cases, more than two million shots going in people's arms each day, and the resilience of the US consumer and businesses are contributing to this massive economic rebound. The recently passed fiscal stimulus bill combined with a fully supportive Federal Reserve should further solidify the bull market case.

The battle against COVID-19 isn't over unfortunately. New, more infectious variants of COVID-19 exist. The vaccine rollout will take time, and there will be holdouts, but vaccinations are ramping up and most Americans are eager for their turn. 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 life on the other side of the pandemic.

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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