PRECISION Financial Services, Inc.

Designed to Fit Your Needs

April Market Update

The deadline for filing Federal taxes this year has been extended to May 17th, 2021.

We hope April finds you and yours doing well! As we move into the second quarter of 2021, We wanted to share an update on the market and provide you with the latest developments and trends.

Blue Chips Lead the Way

U.S. Equity markets steadily rose in mostly low-volatility trade throughout March. The broad-based S&P 500 added 4.2% in March and finished the month just shy of its all-time closing high of 3974.55. The Dow Jones Industrial Average saw even better performance, tacking on 6.6% in March to finish at 32981.60--right behind its all-time high of 33171.40. The tech-heavy Nasdaq 100 Index has continued to lag compared to its counterparts, adding 1.4% in March, which is distant from its all-time high set in mid-February.

The rotation away from tech and into large-cap, dividend-paying names also continued throughout last month; however, on the final day of first-quarter trade, the Nasdaq 100 surged 1.5%, entrenching itself into the green for the month and far outperforming the other major averages. End-of-quarter bargain hunting, book squaring, and short covering may have been on display for the final trading day of Q1 2021.

Suez Canal and Energy Markets

As the Suez Canal was blocked for six days by container ship Ever Given, the crude oil markets traded sideways; front-month Crude Oil futures traded between $58 - $61, well off their early March high of nearly $68 per barrel. Many analysts expected a sharper increase due to the blockage of the canal, but markets remained steady.

Now that the OPEC-producing countries have a firmer grasp on Crude Oil, we can anticipate similar events unfolding in the near future. Reminiscent of the Crude Oil markets that we saw in 2007-08, there were many supply disruptions, including refinery fires, explosions, and blockages in the Strait of Hormuz--another important waterway transporting crude oil between the Persian Gulf and the Gulf of Oman. Now that the U.S. is a net Crude Oil importer since the advent of the Keystone XL Pipeline closure, more supply disruptions can be expected in the future as OPEC-producing countries look to send prices higher. Remember, Crude Oil traded north of $140 back in 2008. $4 U.S. gasoline came along with it.

$2 Trillion Infrastructure Plan

On the final day of March, the Biden administration released some details surrounding their proposed $2 trillion infrastructure plan. Corporations will foot some of this bill, with a proposed corporate tax hike from the current 21% level to 28%. The plan aims to support electric vehicles, clean energy, continued building of broadband, and updating the country's roads, bridges, and rails.

The plan has been met with a hefty dose of skepticism from fiscal conservatives as spending with colossal price tags continues. Combined with recent inflation and rising interest rates, the significant spending is drawing ire from many proponents of free markets. That said, the infrastructure spending plan should create opportunities for investors.

Interest Rates Continue Rising

The theme of higher rates continues, with the benchmark 10-Year note yield surpassing 1.74% at the end of March. Equities have remained mostly resilient in light of these higher rates. Technology stocks seem to have the largest negative correlation to rising interest rates.

April is historically a strong month for the S&P 500, with the index gaining in 14 of the past 15 years. Will 2021 follow the pattern?