



Market Commentary March 22, 2021

Dear Investors:

What are professional asset managers thinking?

Bank of America recently published the results of its March global asset managers' survey, which polls 220 professional investors responsible for about \$630 billion in assets, reported Julia La Roche of *Yahoo! Finance*.

Many of those surveyed were optimistic about 2021. During the next 12 months:

- 91 percent of those polled expect the economy to strengthen (that's a record high)
- 89 percent anticipate global profits will improve
- 52 percent expect value stocks to outperform growth stocks

So, what were managers most worried about?

For the first time since April 2020, the COVID-19 pandemic was not the most pressing concern for professional money managers. That spot was filled by inflation. Ninety-three percent of those surveyed expect inflation to rise during the next 12 months, reported Nicholas Jasinski of *Barron's*, and that could affect stock prices. Jasinski reported:

“...higher bond yields mean higher borrowing costs, which could hinder the recovery and weigh on corporate earnings. Plus, a higher discount rate produces a lower present value for assets like stocks. And, when Treasuries produce enough yield, there's greater competition for stocks.”

The discount rate is the Fed's rate for lending to other banks.

One place to look for signs of inflation is bond yields. Recently, yields on U.S. Treasury bonds have been moving higher despite efforts by the Federal Reserve to keep them down, reported Lisa Beilfuss of *Barron's*. It's possible the bond market is pushing yields up because bond investors see inflation ahead. The *AP's* Stan Choe and Alex Veiga explained:

“Inflation means future payments from bonds won't buy as much – because the price of a banana or a bouquet of flowers will be higher than it is today.

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So, when inflation expectations rise, bonds are less desirable, and their prices fall. That pushes up their yield.”

Major U.S. stock indices finished last week lower.

(The one-year numbers in the scorecard are noteworthy. They reflect the strong recovery of U.S. stocks from last year’s coronavirus downturn to the present day.)

Data as of 3/19/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.8%	4.2%	62.4%	13.0%	13.8%	11.7%
Dow Jones Global ex-U.S.	0.2	4.4	68.9	4.1	7.7	3.1
10-year Treasury Note (Yield Only)	1.7	NA	1.1	2.8	1.9	3.3
Gold (per ounce)	1.8	-8.1	17.7	9.8	6.9	1.9
Bloomberg Commodity Index	-1.7	8.3	37.6	-0.8	0.9	-6.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, Federal Reserve Bank of St. Louis, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE WORLD HAPPINESS REPORT IS OUT – AND IT WAS SURPRISING

COVID-19 has disrupted just about every aspect of people’s lives – work, home, family, friends, and health – in every country of the world. Knowing this, it seems logical people would be less happy in 2020 than they had been in previous years. However, the findings of *The World Happiness Report* tell a different and more complex story. The authors explained:

“Many strands of data have been pieced together to produce a picture of almost astonishing resilience...Although there were significant increases in average sadness and worry, we found that overall life evaluations, and happiness rankings, were surprising stable. The top countries before the pandemic remained the top countries in 2020, so there is little change in the overall rankings.”

For the world as a whole, it appears negative changes in some variables, such as emotions and unemployment, were offset by positive changes in other variables, such as trust and generosity.

The remarkable stability of happiness may also reflect the fact some of population groups are not normally included in surveys – people who are homeless, in nursing homes, hospitals, prisons, and refugee camps – were also some those hit hardest by the virus.

There was another notable aspect of the study. Young people were significantly less happy in 2020 than they have been in previous years. *The Economist* explained:

“[In Britain], and in other rich countries, the age profile of happiness before the pandemic struck was roughly U-shaped when plotted on a graph. People began their adult lives in a cheerful state. They became glummer in middle age. Then, after about the age of 50, they started to become happier again...Today the pattern is an upward slope. The young are less satisfied than the middle-aged, who are less satisfied than the old.”

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So, which countries were happiest in 2020? The top 10 included:

1. Finland
2. Iceland
3. Denmark
4. Switzerland
5. Netherlands
6. Sweden
7. Germany
8. Norway
9. New Zealand
10. Austria

Weekly Focus – Think About It

“Let us be grateful to the people who make us happy; they are the charming gardeners who make our souls blossom.”

--Marcel Proust, French novelist

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

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