



Market Commentary April 19, 2021

Dear Investors:

Where are Treasury bonds going?

The direction of bond yields is influenced by investors' expectations for economic growth, among other factors. When economic growth is expected to weaken, bond yields tend to move lower. When economic growth is expected to strengthen, bond yields tend to move higher.

Last year, U.S. Treasury yields began to climb higher on optimism that vaccines, in tandem with fiscal and monetary stimulus, would strengthen economic growth. The yield on 10-year Treasuries rose more than 1 percent in just a few months, from 0.54 percent at the end of July 2020 to 1.75 percent at the end of March 2021.

Last week, Treasury yields moved lower. Ben Levisohn of *Barron's* explained it's "...possible that after yields nearly doubled to start the year, investors were simply waiting to see that the move higher was over before buying again. Of course, nearly everyone was predicting a 2 percent yield on the 10-year, while often forgetting that rarely does anything in financial markets move in a straight line."

There are reasons for investors to be optimistic about what may be ahead and there may be reasons for concern:

- **Corporate earnings are positive, so far.** Corporate earnings are encouraging. Almost 10 percent of Standard & Poor's 500 Index companies have reported first quarter earnings. Earnings show how profitable a company was during a given period of time. So far, 81 percent of the companies have reported higher than expected earnings per share, reported John Butters of *FactSet*.
- **Vaccine rollouts offer mixed messages.** As of last weekend, about 50 percent of Americans 18 and older had received at least one dose of the vaccine and about 32 percent were fully vaccinated, reported the *Centers for Disease Control*.

There is trepidation about the effectiveness of mass vaccinations and the pace at which people in other regions of the world are being vaccinated, reported Chris Wilson of *Time*. In the United States, the pause in distribution of single shot vaccines caused some investors to be concerned, reported Hope King of *Axios*.

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- **Economic data was compelling.** U.S. economic data released last week showed declines in weekly unemployment claims and strong retail sales numbers. The news strengthened expectations that economic recovery remained on track, reported Simon Jessop and Hideyuki Sano of *Reuters*.

Other issues that may be weighing on investors include uncertainty about infrastructure spending and sanctions on Russia.

No one is ever certain what the future will bring. It's one reason for having a well-diversified portfolio.

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

Data as of 4/16/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.4%	11.4%	49.5%	16.1%	14.9%	12.4%
Dow Jones Global ex-U.S.	1.5	6.8	50.0	5.0	7.8	3.2
10-year Treasury Note (Yield Only)	1.6	NA	0.6	2.8	1.8	3.4
Gold (per ounce)	1.9	-6.0	2.6	9.6	7.5	1.7
Bloomberg Commodity Index	3.0	10.9	39.5	-0.9	1.4	-6.5

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.

WHAT'S ON THE BENEFITS MENU?

The impact of COVID-19 on workplaces has been profound. As we move toward a new normal, it is likely work as we once knew it will be changed forever. Employer benefits is one area in which there may be significant change.

Remote work options may be necessary for employers to remain competitive, according to the *Pulse of the American Worker Survey*:

“...a “war for talent” may be looming if companies don’t address workers’ needs...[the] war will be won by companies who affirm their standing as a top destination for both current and future talent. These employers will cultivate cultures that reflect what is most important to workers, such as remote-work options and flexible work arrangements, opportunities for career development and mobility, and comprehensive benefits that foster employee health and well-being and build financial resiliency.”

Financial wellness has become a top concern for Americans – at work and at home. Two-thirds of survey participants said they spent more time thinking about their finances in 2020 than they have in prior years, and they identified key barriers to financial security which included:

- 72% Lack of retirement savings
- 65% Lack of emergency savings
- 65% Not enough invested to grow
- 64% Too many bills
- 58% Not enough financial “know-how”
- 55% Too much debt

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Some employers are considering new benefits that help address these issues, including emergency savings programs and other financial wellness options.

If you have concerns about any of these issues, please get in touch.

Weekly Focus – Think About It

“Every day I get up and look through the Forbes list of the richest people in America. If I’m not there, I go to work.”

--Robert Orben, Comedian

Best regards,



John Y. Kim, J.D., LL.M.
President

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.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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- * Asset allocation does not ensure a profit or protect against a loss.
- * Consult your financial professional before making any investment decision.

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