

Capital Market Review

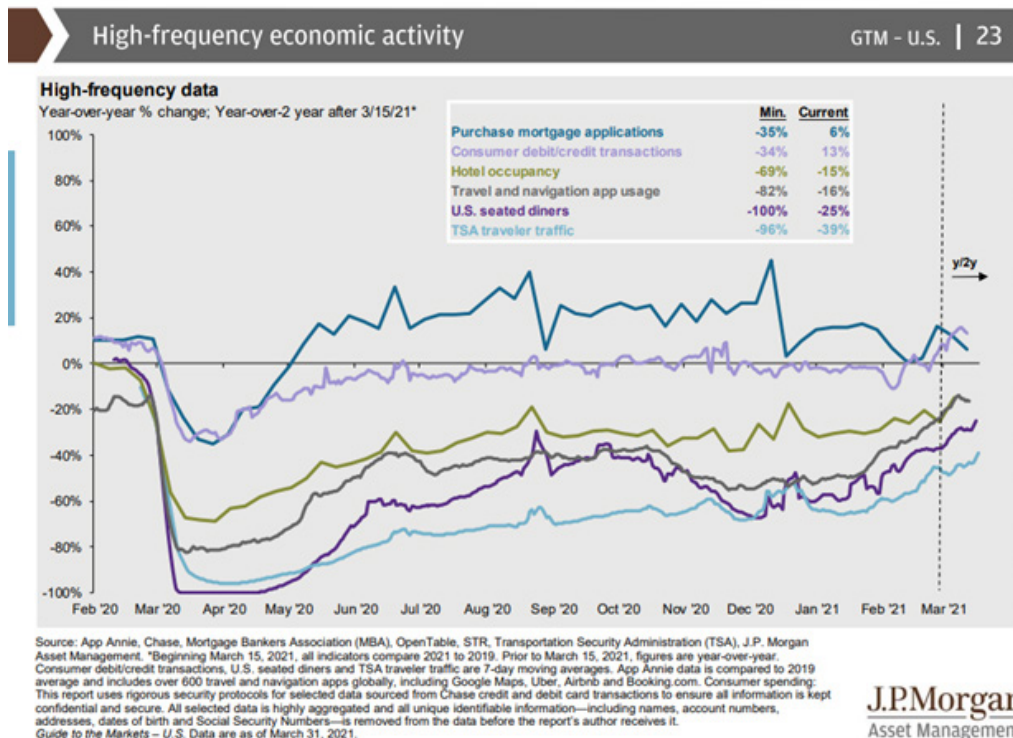
First Quarter 2021

By: Jim Rambo, CFA

Optimism surrounding the economy reopening built steadily over the first quarter. 22% of the U.S. population is now fully vaccinated against COVID-19, with another 14% receiving the first dose. Many states are rolling back COVID-19 restrictions, some more aggressively than others. Texas Governor Greg Abbott announced on March 2nd he was “opening Texas 100 percent”. Even states that have taken a more cautious approach by enacting more restrictions are beginning to open. California plans to lift most of its COVID-19 restrictions by June 15th if the vaccination rollout continues as planned.

However, there is growing concern that it may take longer to reach herd immunity due to vaccine hesitancy. As cases dwindle, the urgency of getting a vaccine may wane. A large group of eligible, but unvaccinated adults combined with ineligible and unvaccinated children could disrupt the reopening timeline.

Economic Recovery



Source: [JP Morgan Guide to the Markets, as of March 31, 2021](#)

High-frequency economic activity shows a rise in TSA traveler traffic, travel and navigation app usage, and U.S. seated diners in the first quarter. While the trends are promising, activity is still well below pre-pandemic levels. The current 6.0% unemployment rate continues to tick downward but remains elevated in comparison to the 3.5% pre-pandemic level.



Jordan Deeb
@Jordan_Deeb



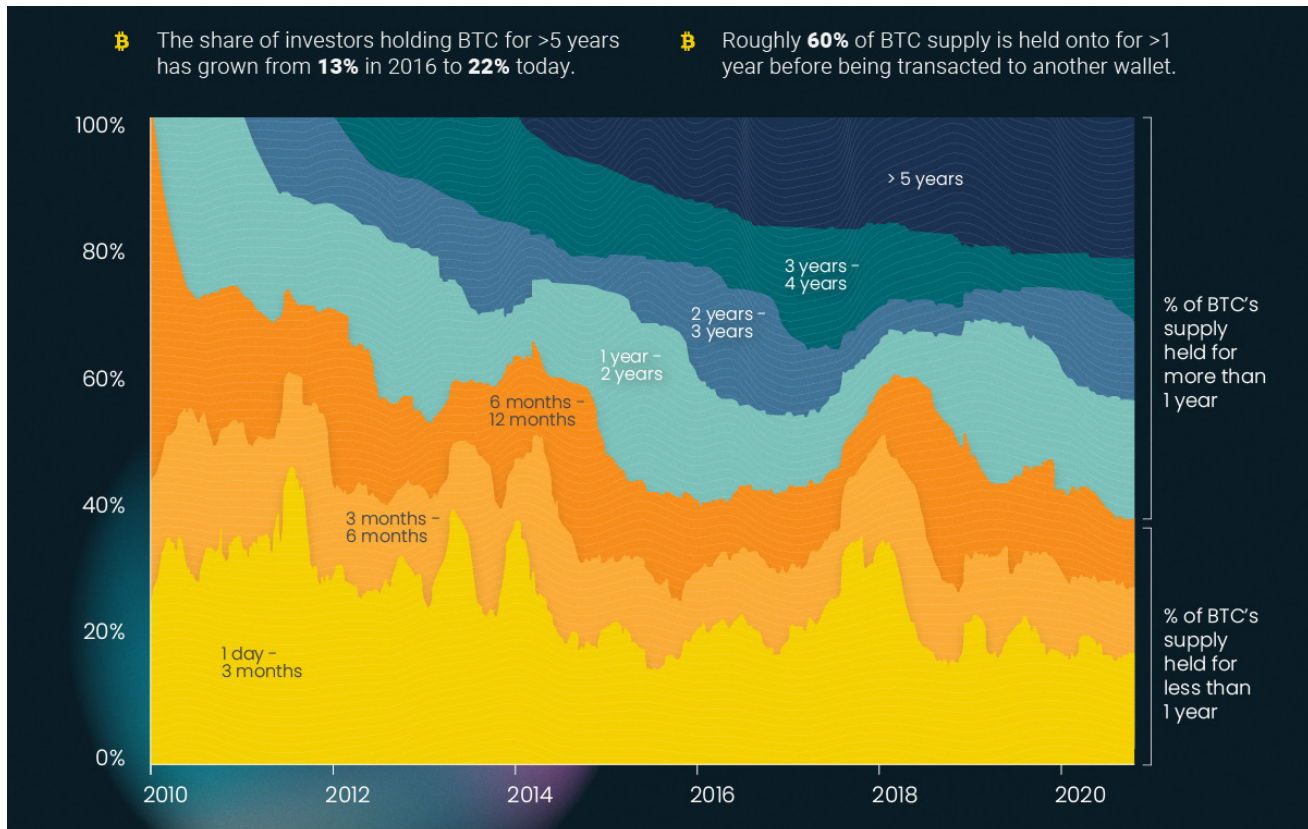
GameStop sitting amongst Tesla and Amazon after reddit users make it a Fortune 500 company



Source: gaming.ebaumsworld.com

The “meme stock” phenomenon entered the mainstream media and national conversation in late January. Memes are funny short videos or pictures like the ones above shared through social media. The story began in 2019 when Keith Gill, known as Roaring Kitty on YouTube and u/DeepF***ingValue on the r/wallstreetbets subreddit, purchased Gamestop stock (GME) and shared his turnaround thesis through his social media accounts. A few months later, Ryan Cohen, founder of the successful eRetailer Chewy, took a 10% equity position in GME, giving the market hope he can improve GME’s online presence, and the price of the stock rose sharply. Hedge Funds en masse saw the significant price move as overly optimistic for the struggling retailer who may not survive the pandemic and massively shorted the stock (borrowed shares to sell). The r/wallstreetbets community took this as an attack and an example of how large money managers have an unfair advantage over small investors. The group rallied by pouring money and memes into GME, sending the stock skyrocketing +2,600% in just the month of January. Many brokers, including r/wallstreetbets’ favorite, Robinhood, halted the ability to purchase GME shares and only allowed sell orders, fueling more cries of a rigged system. The wild events triggered congressional hearings bringing the major players to testify under oath on Capitol Hill. GME continues to see massive volatility on both the up and downside as the saga continues.

Bitcoin



Source: visualcapitalist.com

Bitcoin closed the 1st quarter at \$59,000, just off the all-time-high. The cryptocurrency continues to gain adoption. The share of investors holding Bitcoin for over 5-years has grown from 13% in 2016 to 22% today. Financial institutions such as Visa, Mastercard, and Bank of New York Mellon have announced plans to make using cryptocurrencies easier. Companies such as Microstrategies and Tesla have added Bitcoin to their balance sheets as operating assets. The options to purchase Bitcoin within a traditional portfolio remain limited, but development continues with several firms, including Fidelity, seeking SEC approval for a Bitcoin ETF.

Benchmark Returns as of March 31, 2021

Benchmark Index Returns (%)	3 mo.	6 mo.	9 mo.	12 mo.
USTREAS TBill 3-Month	0.03	0.05	0.09	0.11
BBgBarc US Govt/Credit 1-5 YR	-0.57	-0.25	0.12	1.90
BBgBarc Municipal Bond 3 YR	0.15	0.47	1.19	3.50
BBgBarc US Aggregate Bond	-3.37	-2.73	-2.12	0.71
BBgBarc Municipal Bond	-0.35	1.46	2.71	5.51
BBgBarc Corp High Yield	0.85	7.36	12.29	23.72
FTSE WGBI Non-USD	-6.42	-1.91	2.59	5.65
S&P 500	6.17	19.07	29.71	56.35
DJ Industrial Average	8.29	19.91	29.76	53.78
Russell 2000	12.70	48.05	55.36	94.85
MSCI ACWI	4.57	19.93	29.68	54.60
MSCI EAFE	3.48	20.08	25.84	44.57
MSCI EM	2.29	22.43	34.13	58.39
DJ US Select REIT	10.00	24.22	25.25	36.66
Bloomberg Commodity	6.92	17.82	28.51	35.04

The reopening trend has also stoked some inflation concerns impacting the bond market. Interest rates have risen, leading to the -3.37% return for the Bloomberg Barclays Aggregate Bond Index for the first quarter. Equities continued to rise but with a rotation of new leaders. The energy, travel, leisure, real estate, and consumer cyclical companies that suffered the most in 2020 are now benefiting the most as we continue to open. The market mood is cautiously optimistic as trends continue in a positive direction with still much uncertainty on the horizon.



The information included herein was obtained from sources which we believe reliable. This report is being provided for informational purposes only. It does not represent any specific investment and is not intended to be an offer of sale of any kind. Past performance is not a guarantee of future results.

Allegheny Financial Group is a Registered Investment Advisor. Securities offered through Allegheny Investments, LTD, a registered Broker/Dealer. Member FINRA/SIPC.

04/2021