



Weekly Market Review

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The Week Ending April 30, 2021

From expectations beating GDP, to a record rise in household income, and a flood of corporate earnings, the final week of April was anything but light on news. Although the market ended flat last week, that did not stop the S&P 500 Index from finishing up over 5% for the month. After a first-quarter rotation that saw value outperform growth, April reverted to what we had become accustomed to—growth stock outperformance. However, April can be best described as a tug of war between strong economic and corporate data. Still, risks are rising from an increase in global COVID-19 infections, reminding us the world is not yet out of the COVID woods.

Economic data was robust throughout the month, with seemingly every data point outperforming expectations. Last week provided the best confirmation of the strong economic rebound as first-quarter GDP was reported at 6.4%, almost getting the U.S. economy back to its pre-COVID size. Other than the 30% rebound during the second quarter of last year, this was the first time GDP has grown faster than 5% since 2014. As one would expect, the consumer is leading the recovery. Armed with stimulus checks and increased savings rates over the past year, purchases of goods were the strongest contributor to the quarter's GDP growth. Consumers should remain well-positioned to lead the recovery, but there could be a rotation to services becoming a leading factor as the reopening continues and experiences become available again.

As consumers continue to spend and support the economy's rebound, we need to look deeper into how companies respond to this resurgence in growth. According to Refinitiv, going back to 1994, companies have beat analyst expectations by 3.6% on average. So far this quarter, companies are handily beating estimates by 22.8%. However, you would not know how well earnings are by looking at stock prices. Looking at a couple of popular technology stocks as an example, Apple reported a record quarter from a profit standpoint. Still, their stock price was flat the day after they announced the results. Microsoft also had impressive results, led by their Azure cloud computing service, but their stock price fell by close to 3% the following day. This leads us to believe the market has already priced in robust results. Think back to where we were a year ago—people confined to their homes, many businesses closed, and the economy practically came to a halt overnight. When thinking about the current comparison coming off an extraordinary and awful period, looking at the past may not be the best indicator. Instead, markets are looking ahead and asking: where do we go from here?



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