QUARTERLY MARKET COMMENTARY: 2021-Q1

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Equity markets continued their march upward during the first quarter of 2021 supported by economic hope and a recovery in corporate fundamentals. As we move along the vaccination timetable, a sense of light at the end of the pandemic tunnel becomes more palpable even though reports of emerging variants of the coronavirus linger in the shadows. Such medical concerns currently remain isolated and have not impacted market patterns. With so many moving parts in how COVID-19 continues to move through the global population, it is difficult to project specific outcomes with certainty. Even though we would appreciate greater clarification on the economic landscape, we do believe the overall general direction is positive as we transition to a post pandemic era.

As we patiently anticipate a broad-based market pullback from recent highs, corporate fundamentals in 2021 and 2022 have strengthened. As a result, support levels within the S&P 500 and Dow Jones Industrial Average now represent reasonable downside risk associated with a healthy short-term market correction. The notable market hiccups we have recently experienced can be attributed to the yield on the 10-year Treasury note trending above 1.7% based on renewed fears of inflation. We do see higher yields driven by market action as being contrary to the Federal Reserve's commitment to maintaining low rates. Despite the diverging forces, Fed Chairman Powell continues to reiterate "staying the course" to ensure the economic recovery stays on track, describing near-term inflation as "transitory." Over time, we anticipate a more synchronized approach among economic variables, market driven rates and Fed policy to direct interest rate patterns.

Despite equity markets reaching new highs, visible softening in equity prices did occur within the growth sector, specifically technology. This is part of the expected rotation from "growth" to "value." While growth stocks are now contributing to a drag on portfolio returns relative to the broader market, a turnaround in value sectors such as energy and financials continue to drive returns for 2021. We still expect the utility sector to follow behind with positive results despite higher interest rates. While value stocks have started the year on a strong note based on a recovery in fundamentals, growth stocks will continue to be driven by solid fundamentals in the long run despite the recent pullback attributed to overbought valuations.

As we await additional information on proposed tax modifications and the infrastructure package, some of the key factors that we are continuing to closely monitor include:

- Inflation's transitory status versus sustainability driven by GDP growth
- The expectation of higher yields and their impact on existing bond prices
- Stock market valuations relative to fundamentals

These topics, as well as others, will be covered in detail at our next Virtual Round Table Discussion on April 28th. If you have not yet received any information on this event, please contact your adviser or our office at: (484) 320-6300 to RSVP.

In closing, we are excited to announce the addition of Drew Schaffer, CFP® to our team as we celebrate our most recent anniversary. In addition to his position as our Financial Planning Coordinator, Drew will fulfill a vital role in our commitment to clients as part of our third generation of advisers. We recognize that our impressive growth during the past 9 years has been made possible by the great support of our clients and the introductions that you have provided. We deeply appreciate your confidence and strive to be a positive reflection of you as we meet and work with your referrals. Please continue to remain safe while enjoying the spring weather and upcoming summer!