



Level Four Capital Management WEEKLY INSIGHT

HIGHLIGHTS

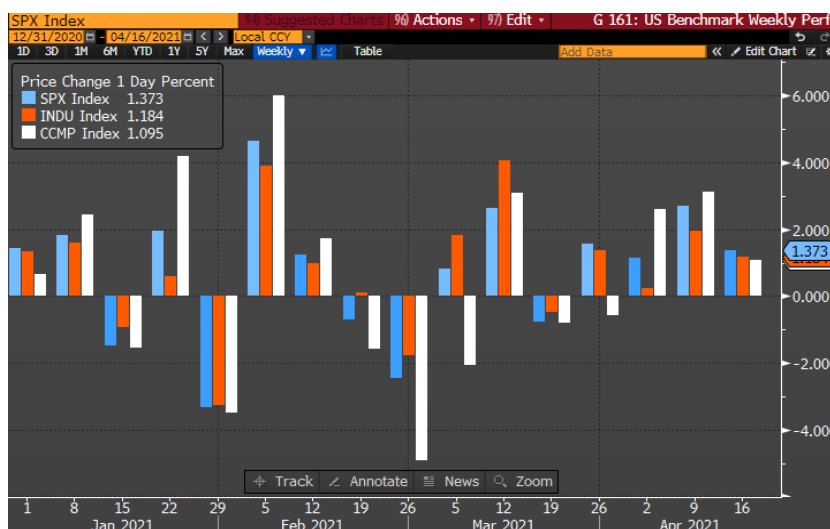
- The S&P 500 and Dow Jones finished higher last week, advancing their weekly win streak to four consecutive weeks.
- There was no change in the longstanding bullish narrative that investors have seen persist.
- Retail sales surprised to the upside, gaining 9.8% m/m versus the 5.80% expectation.
- Despite the negative J&J vaccine headlines grabbing investors' attention, it did little to dent the positive sentiment surrounding vaccine distribution.
- Recent reports from Washington have said that Democrats may need to settle on a 25% corporate tax rate versus a 28%.
- In Monday's session, the Dow, S&P 500, NASDAQ, and Russell 2 all declined in a quiet lackluster session, with little substance to note behind the move.
- The USD dollar fell to six-week lows and gold retreated from seven-week highs.
- Europe auto car sales jumped 63% year-over-year in March according to the European Automobile Manufacturers Association.
- France COVID-19 deaths passed 100,000 last week, and the government suspended flights to Brazil. The CAC 40 index gained 0.22% last week.
- In Japan, exports grew 16.1% year-over-year in March, boosted by 37% gains in vehicle exports to China. The Nikkei 225 dropped 0.28% last week.

MARKET COMMENTARY

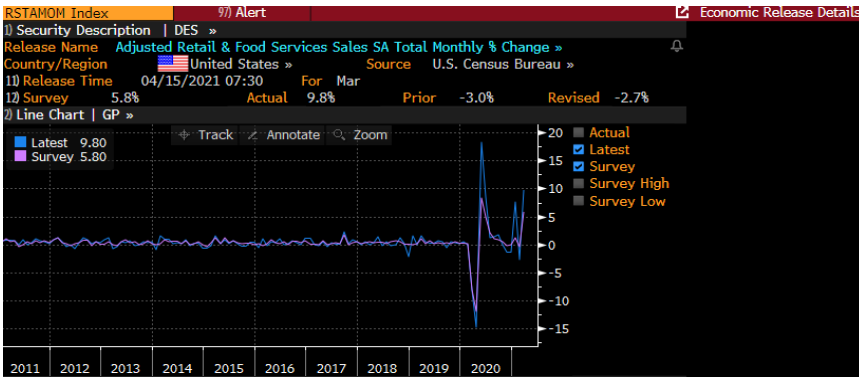
LAST WEEK

Domestic equities finished higher on the week as the S&P 500 and Dow Jones Industrial recorded their fourth straight weekly winning streak. Growth and momentum once again outperformed Value over the five days, although both factors finished up over 1%.

There was essentially no change in the longstanding bullish narrative backdrop that investors have been accustomed to seeing. Positive economic data and continued monetary and fiscal support continue to drive the re-opening momentum and risk-on theme. Retail Sales was the latest data to be released that surprised to the upside, gaining 9.8% month-over-month, coming in ahead of expectations and gaining the most since last May.



Source: Bloomberg as of 04.21.21



Source: Bloomberg as of 04.21.21

SECTOR PERFORMANCE

Utilities were the best performing sector as the space largely outperformed amid the lower rate backup

Materials outperformed with broad based strength in industrial metals

Healthcare gained 2.88% with strength in big pharma, biotech, and managed care names

Technology underperformed on the week as semi-conductors weighed on the space, while hardware names generally higher

U.S. RATES

Rates continued their move lower throughout the week, closing near their worst levels. The backup in yields was mainly attributed to short covering and technical, although there was some news surrounding Japan's buying of U.S. treasuries that may have exacerbated the moves.



Source: Bloomberg as of 04.21.21

COVID-19 UPDATE

Although there was positive vaccine supply-related news, with the seven-day average vaccine count now standing around ~3M/daily, and active COVID-19 cases falling 96.5% since the week of December 20th, the decision to pause the J&J vaccine due to blood clot risks grabbed most of the headlines. Although it was the focal point on Thursday, the headlines did little to put a dent in risk sentiment as the White House added that they are still on pace to distribute 200M doses in the first 100 days.

EARNINGS SEASON

Earnings season kicked off with Banks reporting on Wednesday morning as results remained upbeat. Thus far, 43 companies have reported in the S&P 500 with the average sales beating by 7.29%, while earnings beats are 54%. Looking forward, investors are expecting to see another 76 releases from S&P 500 companies throughout the week with Wall Street analysts still expecting earnings growth of 24.5% year-over-year.

Infrastructure stimulus is expected to garner a lot of attention in the coming weeks, although not much has changed recently with Democrats still relying on budget reconciliation in order to push their agenda through. Recent reports are that Senate Democrats may have to settle on a 25% corporate tax rate due to more moderate Democrats opposing a full tax hike to 28% for U.S. corporations.

THIS WEEK

U.S. equities opened the day at the highs, but were unable to maintain the momentum, sliding throughout the day as the S&P 500 and Dow Jones pulled back from record highs seen last week. The tech-heavy NASDAQ fell just under 1% as weakness in semiconductors weighed on the index, while Small Caps were the worst performing with the Russell 2K falling 1.36% on the session.

Yields moved slightly higher as the 10-year settled just under 1.60%. The dollar fell to six-week lows and gold subsequently retreated from seven-week highs.



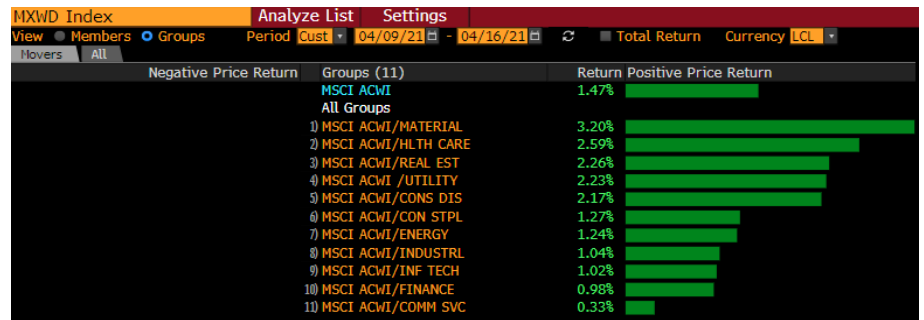
Source: Bloomberg as of 04.21.21

Overall, it has been an uneventful start to the week as single stock headlines dominated the broader market, which included:

- **Harley Davidson** rallied to its best levels since June of 2018 as it reported an earnings beat
- **IBM** jumped after announcing their biggest revenue gain in 11 quarters, driven primarily by cloud demand
- **Peloton** fell ~7% as the Consumer Product Safety Commission advised users to stop using the company's treadmill after 39 reports of incidents involving small children or pets
- **Apple** will be unveiling their first product of 2021 and will probably focus on iPads
- **Electrical Vehicle Makers** underperformed after the Tesla autopilot crash killed two people

INTERNATIONAL

Last week, global equities advanced 1.47%, building on the previous week's momentum. The leadership had a value tilt with materials, health care, and utilities propelling the MSCI ACWI higher. The World Economy weighted year-on-year inflation rose to 3%, versus 2.5% a month ago. Oil prices moved higher as the U.S. dollar continued to weaken. Gold and industrial metals also had a solid week amid rising international demand. The MSCI ACWI closed the week at all-time highs, which raised the short interest of the bears.



Source: Bloomberg as of 04.21.21

EUROPE

Europe auto car sales jumped 63% year-over-year in March according to the European Automobile Manufacturers Association. This is the highest annual increase since June 2019. While sales rose 29% in Italy, and 21% in France, registrations fell 15% in Spain, 12% in the United Kingdom, and 6.4% in Germany. The Eurozone consumer confidence trended higher in the last three months as easy monetary and fiscal policies reverberated through the broad economy. In the first quarter, French car manufacturer PSA Group merged with Fiat Chrysler to form Stellantis. The combined entity is valued at over \$55.6 billion. The Euro STOXX Index gained 1.32% last week, led by retail, up 3.27%. Auto and parts added 2.56%.

Francois Villeroy, Bank of France Governor, said that the European Central Bank (ECB) could exit its Pandemic Emergency Purchase Program as early as March 2022. Some ECB members are in favor of phasing out the program in the third quarter of this year, while others are hesitant to make rapid policy changes. France COVID-19 deaths passed 100,000 last week, and the government suspended flights to Brazil to limit the spread of the Brazilian variant. The CAC 40 index gained 0.22% last week.

In the United Kingdom, the housing market is heating up as shoppers try to lock in low rates and take advantage of a government tax break. According to the British real estate platform Rightmove, the average cost of a multifamily property rose 2.1% in April. Tim Bannister, director of property data at Rightmove commented, "It is a big jump, especially bearing in mind that the lockdown restrictions are still limiting the population's movement. The stars have aligned for a spring price surge." The FTSE 100 Index gained 3.93% last week.

APAC

In China, the government ramped up housing and infrastructure spending with \$7 billion investments in the first quarter to revitalize its economy. Government investments represent 43% of GDP, while consumption represents 38% according to the World Bank. This growth model pushed the International Monetary Fund (IMF) to warn about the risk of overcapacity. In March, China's oil import grew 10.4% from a month ago, and its copper ore and concentrate import grew over 20%. The Shanghai Composite index was down 0.9% last week.

In Japan, exports grew 16.1% year-over-year in March, boosted by 37% gains in vehicle exports to China. Exports within Asia reached 38.9 billion. Tokyo and Osaka governors are considering declaring another virus emergency as cases surge in the biggest metro areas. A new poll from Japanese broadcaster ANN showed that 73% of people consulted were against maintaining the Tokyo Olympic Games. Many voices in the ruling party are worried the Games may be a super spreader event while the lackluster vaccine rollout continues to add pressure to the government. The Nikkei 225 dropped 0.28% last week.

EMERGING MARKETS

In South Korea, consumer prices hit a two-year high in March as the CPI rose 0.15% month-over-month. Last month, the Bank of Korea Consumer Sentiment Index rose above 100 for the first time since the beginning of the COVID-19 pandemic. Exports grew 16.6% year-over-year in March, up from 9.2% annual growth in February. Bank of Korea Governor, Lee Ju-Yeol, said he expects the economy to grow faster than previously expected. The KOSPI Index gained 2.13% last week.

In Chile, Central Bank's president, Mario Marcel, said that interest rates will remain unchanged throughout the year and revised its GDP growth forecast to 7%. He added, "The external environment has become much more favorable. But, I want to emphasize that the improvement in the growth projection for 2021 is not based on the vaccination process. But has economic fundamentals." In March, Chile exported the most copper since the 2011 peak. Chilean stocks gained 0.61% last week.

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