

# Monthly Market Commentary

## March 2021 Recap

U.S. stocks climbed in March as rising expectations for a swift economic recovery supported a pro-cyclical rotation. Both the Dow Jones Industrial Average and S&P 500 closed near all-time highs, rallying the most since November with a 6.6% and 4.2% advance, respectively. Meanwhile, the tech-heavy Nasdaq Composite underperformed the Dow by the widest margin since February 2002, rising just 0.4% as a spike in interest rates pressured last year's beloved growth-oriented shares. Bond markets extended their sell-off as solid economic data and the passage of a \$1.9 trillion coronavirus stimulus package raised inflation projections, while dovish guidance from the Federal Reserve left investors unsatisfied. The yield on the benchmark 10-year note jumped to a 14-month high, capping its largest quarterly increase since the end of 2016.

Market participants eagerly anticipated a jumpstart of the U.S. economic rebound as the number of daily COVID-19 vaccines being administered climbed past 2 million. Positive data also helped buoy sentiment. The Institute for Supply Management's (ISM) index of manufacturing activity hit its best level in three years. Several regional updates also surprised on the upside, with the Philadelphia Fed's business outlook soaring to a 48-year high in March and a gauge of New York manufacturing activity rising to the strongest level since November 2018. The labor market showed resilience, with the monthly jobs report revealing the U.S. economy added 379,000 non-farm payrolls in February, well above expectations of a 200,000 gain and January's upwardly revised 166,000 figure. Meanwhile, a reading of weekly initial jobless claims dipped to the lowest level since the pandemic began. Retail sales slid a larger-than-expected 3%, but the weakness was chalked up to February's inclement winter weather. Further fueling the recovery narrative was the passage of the long-awaited \$1.9 trillion relief package, which included \$1,400 stimulus checks for many Americans, and the unveiling of the Biden administration's multitrillion dollar infrastructure plan.

The unprecedented fiscal support bolstered economic growth and inflation expectations. While Wall Street weighed the implications, the Federal Reserve was steadfast in their dovish monetary policy message. As widely expected, the Federal Open Market Committee (FOMC) left its benchmark interest rate unchanged in the near zero-bound range, while extending the current pace of its asset purchase program. The so-called "dot plot" suggested officials did not foresee a rate hike through 2023. Additionally, policymakers raised their economic forecasts to reflect the strongest annual U.S. GDP growth in almost 40 years. Fed Chair Jerome Powell reiterated feeling comfortable with the current policy, as it would likely "take substantial time" to reach the Fed's dual mandate of maximum employment and 2% sustained inflation. However, inflation worries persisted despite the Fed Chief noting this year's post-pandemic upward price pressures should be transitory and the core PCE deflator (the Fed's preferred proxy for inflation) rising a muted 1.4% year-over-year in February, slowing from the previous 1.5% pace and well below the Fed's 2% average target. Treasuries slumped as investors' convictions diverged with the Fed's commentary. Notably, an index tracking Treasury bonds 10 years or longer closed below its March 2020 peak, signaling the end of a bull market for longer-dated Treasuries that began back in 1981. The yield on the benchmark 10-year note spiked 34 basis points in March to 1.74%, while the 30-year bond rate jumped 28 basis points to 2.41%.

While the historic bull market for longer-dated Treasuries had come to a close, Wall Street hoped that it was just the beginning for U.S. equities. Investors cheered the one year anniversary of the bull market, which had seen the S&P 500 surge more than 70% since its low on March 23, 2020. This month's segment of the rally was characterized by an outperformance of value and cyclical stocks that had underperformed the prior year. Utilities and Industrials paced the

gains in March, with both sectors of the S&P 500 rising more than 9%. Financials also outperformed amid rising yields and news that the Federal Reserve planned to lift pandemic restrictions on bank dividends and share buybacks after June stress tests. The Information Technology group lagged but managed to add 2%, while Energy (still the best performing group of 2021) came under pressure as West Texas Intermediate crude posted its first monthly decline since October. Despite OPEC and its allies unexpectedly extending production curbs into April, new COVID-related lockdowns in Europe provided a headwind to oil prices. In other commodities, COMEX gold fell for a third straight month, weathering its worst quarter since 2016, while a gauge of the U.S. dollar experienced its best quarter since June 2018.

## Disclaimers

Pricing as of market close on March 31, 2021 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

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## Definitions

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

## Price and Total Returns

### U.S. Markets

Index	Close	March Price Return (%)	March Total Return (%)	February Total Return (%)	Q1 2021 Total Return (%)*
S&P 500	3972.89	4.24	4.38	2.76	6.17
Dow Jones Industrial Average	32981.55	6.62	6.78	3.43	8.29
Nasdaq Composite	13246.87	0.41	0.48	1.01	2.96
S&P 400 Mid Cap	2609.24	4.53	4.67	6.80	13.47
S&P 600 Small Cap	1319.35	3.19	3.33	7.65	18.23

## U.S. Sector Performance

Index	Close	March Price Return (%)	March Total Return (%)	February Total Return (%)	Q1 2021 Total Return (%)*
Communications Services	239.28	3.10	3.12	6.18	8.08
Consumer Discretionary	1340.92	3.59	3.65	-0.93	3.11
Consumer Staples	699.46	7.71	8.19	-1.41	1.15
Energy	369.89	2.69	2.78	22.66	30.84
Financials	565.72	5.62	5.80	11.49	15.90
Health Care	1360.34	3.74	3.92	-2.11	3.18
Industrials	831.98	8.82	8.91	6.89	11.41
Information Technology	2331.06	1.64	1.69	1.21	1.97
Materials	494.71	7.29	7.58	3.87	9.08
Real Estate	247.00	6.35	6.80	1.54	9.02
Utilities	325.26	10.13	10.51	-6.08	2.84

## International Markets

Index	Close	March Price Return (%)	March Total Return (%)	February Total Return (%)	Q1 2021 Total Return (%)*
U.K. FTSE 100	6713.63	3.55	4.16	1.58	4.97
Germany DAX	15008.34	8.86	8.86	2.63	9.40
France CAC 40	6067.23	6.38	6.52	5.63	9.59
Spain IBEX 35	8580.00	4.32	4.37	6.04	6.68
Italy FTSE MIB	24648.56	7.88	7.88	5.92	11.28
Greece ATHEX	865.05	9.17	9.17	5.73	6.93
MSCI Emerging Market	1316.43	-1.70	-1.51	0.77	2.21
Shanghai Composite	3441.91	-1.91	-1.91	0.75	-0.89
Japan Nikkei 225	29178.80	0.73	1.27	4.75	6.93
Hong Kong Hang Seng	28378.35	-2.08	-1.76	2.46	4.55
Brazil Bovespa	116633.70	6.00	6.00	-4.37	-2.00
Russia Micex	3541.72	5.83	5.84	2.12	7.83
India Sensex	49509.15	0.83	0.85	6.22	3.85

## Treasuries

Maturity	March Ask Yield	February Historical Yields	January Historical Yields	December Historical Yields	November Historical Yields
2-Year	0.16	0.13	0.11	0.12	0.15
5-Year	0.94	0.73	0.42	0.36	0.36
10-Year	1.74	1.40	1.07	0.91	0.84
30-Year	2.41	2.15	1.83	1.64	1.57

## Municipal Bonds

Maturity	Close	March Price Return (%)	February Price Return (%)	January Price Return (%)	Q1 2021 Price Return (%)*
S&P Municipal Bond Index	274.37	0.55	-1.36	0.56	-0.26
S&P Muni Bond Long Intermediate	286.38	0.54	-1.59	0.53	-0.53
S&P Muni Bond Intermediate	271.66	0.49	-1.42	0.49	-0.45
S&P Muni Bond Short	180.23	0.17	-0.24	0.20	0.13
S&P Muni Bond Investment Grade	270.20	0.54	-1.40	0.47	-0.41
S&P Muni Bond High Yield	342.92	0.72	-0.82	1.87	1.77
S&P Muni Bond General Obligation	263.51	0.52	-1.50	0.40	-0.59

## Commodities

Front Month Futures	Close	March Price Return (%)	February Price Return (%)	January Price Return (%)	Q1 2021 Price Return (%)*
CRB Index	184.96	-2.87	9.32	3.82	10.23
Oil/bbl	59.16	-3.80	17.82	7.58	21.93
Natural Gas	2.61	-5.88	8.07	0.98	2.72
Gold	1713.80	-0.87	-6.41	-2.52	-9.57
Silver	24.53	-7.08	-1.90	1.90	-7.12
Copper	399.55	-2.42	15.14	1.05	13.54
Nickel	16030.00	-13.54	4.99	6.59	-3.24

## Foreign Exchange

Currency	Close	March Price Return (%)	February Price Return (%)	January Price Return (%)	Q1 2021 Price Return (%)*
Dollar Index	93.23	2.59	0.33	0.72	3.66
Euro/USD	1.17	-2.86	-0.50	-0.65	-3.98
USD/Yen	110.72	3.89	1.81	1.39	7.23
GBPound/USD	1.38	-1.08	1.64	0.28	0.83
USD/CAD	1.26	-1.38	-0.31	0.41	-1.28
USD/Krona	8.73	3.47	0.86	1.68	6.11
USD/Swiss Franc	0.94	3.86	2.04	0.58	6.60

Source: Bloomberg. Disclosure: \*All prices as of the close March 31, 2021

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