

Monthly Market Commentary

April 2021 Recap

U.S. stocks climbed for a third straight month in April as solid economic data and continued support from the Federal Reserve helped bolster the case for a swift recovery. Robust first quarter earnings results and the prospect of the Biden administration's multitrillion dollar infrastructure plan also fueled demand for risk assets. The Dow Jones Industrial Average rose 2.7%, while the S&P 500 notched its 25th record closing level of 2021 in route to its best monthly performance since November (+5.2%). The tech-heavy Nasdaq Composite outperformed with a 5.4% rally, reclaiming an all-time high for the first time since February and capping its longest stretch of monthly gains since 2018 (six).

With more than half of S&P 500 constituents reporting first quarter earnings through month-end, the share of companies topping analyst profit projections remained at a historic high of 90%, according to Bloomberg data going back to 1993. Strong iPhone sales helped **Apple** (AAPL \$131.46) exceed Wall Street's estimates by 16%, the widest margin in the Tech giant's history. **Facebook** (FB \$325.08) reported a 48% increase in revenue and Google parent **Alphabet** (GOOGL \$2353.50) shattered its previous sales record as each company saw robust ad spending. **Amazon** (AMZN \$3467.42) shares touched a new all-time high after the e-commerce giant reported record quarterly profit, while **International Business Machines** (IBM \$141.88) delivered its first positive revenue growth figure since 2018. In Financials, **Goldman Sachs** (GS \$348.45), **JPMorgan** (JPM \$153.81), **Citigroup** (C \$71.24), and **Morgan Stanley** (MS \$82.55) all broke records for net income in a single quarter. Meanwhile, airlines signaled a recovery was underway, with both **American Airlines** (AAL \$21.72) and **Southwest Airlines** (LUV \$62.78) experiencing smaller-than-expected losses, with the latter suggesting the possibility of breaking even by June.

Still, positive results were met with tame price reaction as investors sought clarity into future earnings. Upward price pressures were front of mind, with the term "inflation" being mentioned on corporate earnings calls three times as often as during this time last year—the largest jump since 2004, according to Bank of America data, as companies grappled with supply chain bottlenecks and rising input costs. Fueling inflation concerns was a jump in raw material costs, with a Bloomberg gauge of commodity prices surging to its highest point since 2012, partly receiving a tailwind from a weaker U.S. dollar, which saw its worst month since December. West Texas Intermediate crude posted its fifth advance in the past six months, as reopening activity in the U.S. and Europe offset a flare-up in COVID cases in India, the world's third largest oil importer.

Inflation expectations, as measured by the breakeven rate on 10-year Treasury Inflation-Protected Securities (TIPS), jumped to an eight-year high as the core PCE deflator, the Fed's preferred gauge of inflation, rose 1.8% in March from the same period last year, the highest reading in more than a year. However, the U.S. central bank reaffirmed their view that price pressures should prove to be transitory, and made no changes to its accommodative monetary policy at the conclusion of the Federal Open Market Committee (FOMC) meeting. Fed Chair Jerome Powell reiterated a dovish stance, saying "it is not time yet" to begin discussing tapering asset purchases as "substantial further progress" on both employment and inflation would first need to be met.

Policymakers did improve their assessment of the economy amid robust data. Non-farm payrolls jumped by 916,000 in March, the most in seven months, while the unemployment rate fell to 6% from 6.2% in February. Meanwhile, U.S. retail sales soared 9.8% in March, above forecasts of a 5.8% gain as consumer spending benefited from the latest round of

stimulus checks. The surge boosted the overall level of sales to a record high, and more than 17% above its pre-pandemic level. Business activity also spiked, with the Institute for Supply Management (ISM) revealing the services sector expanded at the fastest rate on record in March, while manufacturing activity surged to its best level since 1983.

Further driving the narrative of a swift economic recovery was the prospect of additional fiscal stimulus. The Biden administration unveiled an ambitious two-part infrastructure plan worth over \$4 trillion. However, it left investors questioning the potential impact of corporate and capital gains tax hikes as the White House reportedly planned to nearly double the capital gains tax on wealthy individuals. Stocks maintained their upward trajectory despite the potential specter of higher taxes. All 11 S&P 500 sectors advanced for the month, with Real Estate and Communication Services pacing the gains. Growth-oriented shares outperformed their value counterparts amid stabilizing Treasury yields. The benchmark 10-year note yield settled 11 basis points (100 basis points equals 1%) lower to 1.63%, easing from a 14-month peak reached in March, though still notably above its 2021 starting level of 0.91%.

Disclaimers

Pricing as of market close on April 30, 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	April Price Return (%)	April Total Return (%)	March Total Return (%)	YTD Total Return (%)*
S&P 500	4181.17	5.24	5.34	4.38	11.83
Dow Jones Industrial Average	33874.85	2.71	2.78	6.78	11.30
Nasdaq Composite	13962.68	5.40	5.43	0.48	8.55
S&P 400 Mid Cap	2725.15	4.44	4.50	4.67	18.58
S&P 600 Small Cap	1345.54	1.99	2.04	3.33	20.64

U.S. Sector Performance

Index	Close	April Price Return (%)	April Total Return (%)	March Total Return (%)	YTD Total Return (%)*
Communications Services	257.55	7.64	7.85	3.12	16.57
Consumer Discretionary	1435.89	7.08	7.10	3.65	10.43
Consumer Staples	713.69	2.03	2.21	8.19	3.38
Energy	371.60	0.46	0.59	2.78	31.61
Financials	601.98	6.41	6.57	5.80	23.52
Health Care	1412.92	3.87	3.96	3.92	7.27
Industrials	861.51	3.55	3.59	8.91	15.42
Information Technology	2452.63	5.22	5.26	1.69	7.34
Materials	521.05	5.32	5.35	7.58	14.91
Real Estate	267.06	8.12	8.29	6.80	18.06
Utilities	339.00	4.22	4.28	10.51	7.24

International Markets

Index	Close	April Price Return (%)	April Total Return (%)	March Total Return (%)	YTD Total Return (%)*
U.K. FTSE 100	6969.81	3.82	4.08	4.16	9.26
Germany DAX	15135.91	0.85	0.85	8.86	10.33
France CAC 40	6269.48	3.33	3.57	6.52	13.50
Spain IBEX 35	8815.00	2.74	2.83	4.37	9.70
Italy FTSE MIB	24141.16	-2.06	-1.91	7.88	9.15
Greece ATHEX	910.37	5.24	5.27	9.17	12.57
MSCI Emerging Market	1347.61	2.37	2.50	-1.49	4.79
Shanghai Composite	3446.86	0.14	0.20	-1.91	-0.69
Japan Nikkei 225	28812.63	-1.25	-1.25	1.34	5.67
Hong Kong Hang Seng	28724.88	1.22	1.30	-1.76	5.92
Brazil Bovespa	118893.80	1.94	1.94	6.00	-0.10
Russia Micex	3544.00	0.06	0.10	5.84	7.94
India Sensex	48782.36	-1.47	-1.45	0.85	2.35

Treasuries

Maturity	April Ask Yield	March Historical Yields	February Historical Yields	January Historical Yields	December Historical Yields
2-Year	0.16	0.16	0.13	0.11	0.12
5-Year	0.85	0.94	0.73	0.42	0.36
10-Year	1.63	1.74	1.40	1.07	0.91
30-Year	2.30	2.41	2.15	1.83	1.64

Municipal Bonds

Maturity	Close	April Price Return (%)	March Price Return (%)	February Price Return (%)	YTD Price Return (%)*
S&P Municipal Bond Index	276.57	0.80	0.55	-1.36	0.54
S&P Muni Bond Long Intermediate	288.67	0.80	0.54	-1.59	0.27
S&P Muni Bond Intermediate	273.61	0.72	0.49	-1.42	0.26
S&P Muni Bond Short	180.53	0.17	0.17	-0.24	0.30
S&P Muni Bond Investment Grade	272.28	0.77	0.54	-1.40	0.36
S&P Muni Bond High Yield	347.27	1.27	0.72	-0.82	3.06
S&P Muni Bond General Obligation	265.44	0.73	0.52	-1.50	0.14

Commodities

Front Month Futures	Close	April Price Return (%)	March Price Return (%)	February Price Return (%)	YTD Price Return (%)*
CRB Index	199.76	8.00	-2.87	9.32	19.05
Oil/bbl	63.58	7.47	-3.80	17.82	31.04
Natural Gas	2.93	12.38	-5.88	8.07	15.44
Gold	1767.70	3.15	-0.87	-6.41	-6.72
Silver	25.85	5.38	-7.08	-1.90	-2.12
Copper	447.90	12.10	-2.42	15.14	27.28
Nickel	17650.00	10.11	-13.54	4.99	6.54

Foreign Exchange

Currency	Close	April Price Return (%)	March Price Return (%)	February Price Return (%)	YTD Price Return (%)*
Dollar Index	91.28	-2.09	2.59	0.33	1.49
Euro/USD	1.20	2.47	-2.86	-0.50	-1.60
USD/Yen	109.31	-1.27	3.89	1.81	5.87
GBPound/USD	1.38	0.28	-1.08	1.64	1.11
USD/CAD	1.23	-2.19	-1.38	-0.31	-3.44
USD/Krona	8.46	-3.04	3.47	0.86	2.89
USD/Swiss Franc	0.91	-3.23	3.86	2.04	3.15

Source: Bloomberg. Disclosure: *All prices as of the close April 30, 2021

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