LOUISVILLE CAPITAL ADVISORS OF RAYMOND JAMES®

Louisville Capital Advisors
Current Thinking – Second Quarter 2021

Positives:

1) The S&P 500 just experienced its best 12-month return period since the 1930s.
2) As of March 23, 23.8% of the US population had received at least one dose of a COVID-19 vaccine.
3) The median projection of real GDP growth for this year rose to 6.5% (4Q21/4Q20), up from 4.2% in December reflecting a faster arrival of vaccines and increased fiscal support.
4) The U.S. unemployment rate was 6.2% for the month of February. This was down from a high of 14.7% last April but still well above pre-pandemic levels.
5) S&P 500 earnings per share (EPS) is now expected to grow at approximately 23.5% in 2021 which should help bring down the currently elevated price/earnings ratios.

Negatives:

1) Labor force participation has declined to 61.4% from 63.4% in January of 2020, suggesting a number of Americans have given up on looking for work.
2) While the improvement in case counts and vaccinations is palpable, looming risks associated with relaxed mitigation measures and complications related to variant strains remain top of mind.
3) As of this writing, the technology driven Nasdaq Composite Index has experienced an 11% pullback from its high on Feb 16. This could be a sign of broader market weakness or it could be a rotation out of growth stocks that did so well in 2020.
4) Large amounts of liquidity in the market has caused some dislocation in equity prices as evidenced by the volatile trading in companies such as GameStop. New regulations could come about with a new chair of the SEC now in place.
5) The U.S. deficit hit a new record this month at $28 Trillion. This is up $5.3 trillion over the last 15 months and will make GDP growth more difficult in the future.

Considerations:

1) After the strong rally in the equity markets over the last twelve months, it is prudent to maintain some opportunistic cash.
2) In addition, review the target asset allocation of your financial plan to make sure the rally has not produced a portfolio that is over extended to the equity market.
3) Continue to evaluate the use of any excess cash or profits from the equity markets to improve your personal balance sheet by reducing or eliminating debt.
4) Watch for the potential of more instability in the U.S.-China dynamic under President Biden than may currently be anticipated by the markets. This has implications for both U.S. and Emerging Market equities.
5) Appointments to the National Economic Council by President Biden could be a signal of robust antitrust enforcement and increased M&A scrutiny in the coming years, specifically in the Technology and Healthcare sectors.