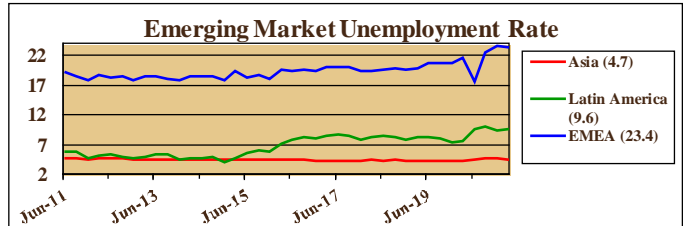
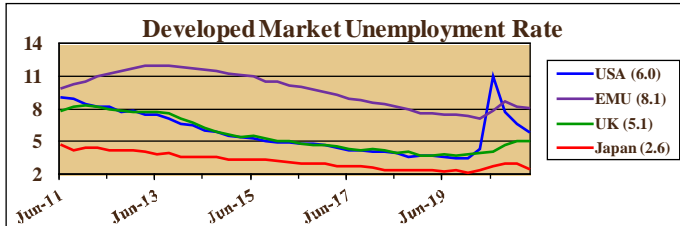
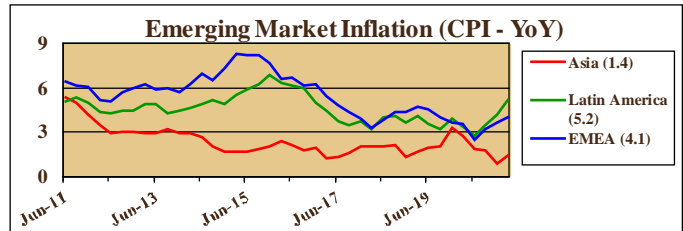
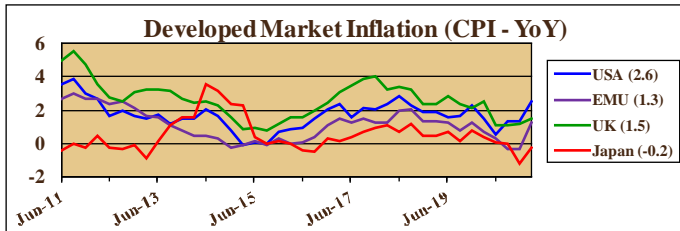
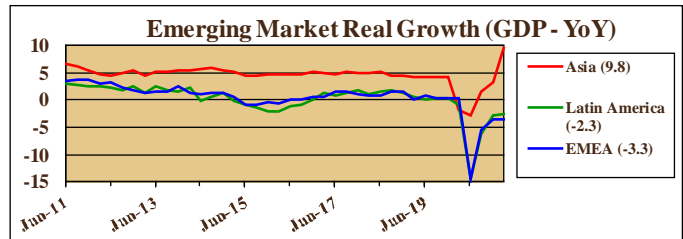
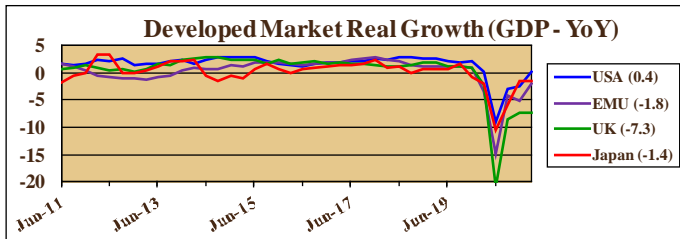


**First Quarter 2021**

# Global Market and Economic Perspective

## Global Economic Commentary

- ❖ The first quarter of 2021 marked one year since the COVID-induced lockdowns from last March. In the US, first quarter economic growth continued its recovery from the sharp declines of the first half of 2020. Personal consumption expenditures were buoyed by the massive stimulus payments to individuals, in the form of both direct payments and enhanced unemployment benefits. Housing was particularly strong, driven by the desire for more space by work-from-home employees.
- ❖ Chinese GDP growth was particularly strong in the first quarter, due to continued demand both domestically and from exports to the US and other developed countries. In Europe, economic growth was held back in a number of countries, most notably Germany and the UK, as another round of lockdowns were put in place to combat rising coronavirus infection numbers.
- ❖ Unemployment patterns largely mirrored GDP growth, with less-open countries witnessing continued softness in their labor markets. In the US in the first quarter, increasing numbers of employers began to complain of an inability to hire new workers and rehire furloughed workers, despite the still-elevated unemployment rate. This has been attributed to the ongoing, generous level of unemployment benefits.
- ❖ The US experienced a modest resurgence in core inflation due to supply bottlenecks and strong demand.



Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index. Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

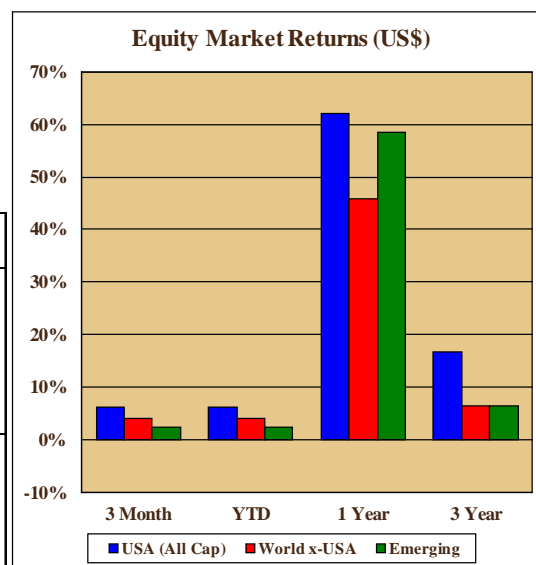
## Global Market and Economic Perspective – Q1 2021

### Global Equity and Currency Commentary

- ❖ Developed equity markets produced strong returns in the first quarter, despite a rise in interest rates which has the effect of increasing the equity discount rates, which in turn puts downward pressure on prices. This discount rate effect was more than offset by a number of positive factors including; the recovery in earnings from their depressed levels in the first half of 2020, extraordinary financial support from national governments, and investors' optimism that vaccinations will lead to the lifting of lockdowns.
- ❖ Returns in emerging markets were good, but not quite as high as in developed markets. Despite its smaller magnitude, first quarter performance boosted the 1-year return to nearly 60%.
- ❖ In contrast to the past several quarters where foreign currencies gained in value, the US dollar experienced a modest reversal and appreciated in the first quarter, as economic strength and higher interest rates attracted foreign investors.

Global Equity Market Returns (MSCI)

3/31/2021	Returns (US\$)				Returns (Local)			
	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
<b>United States</b>								
USA (All Cap)	6.2%	6.2%	62.0%	16.6%				
USA Growth	0.5%	0.5%	66.3%	23.5%				
USA Value	10.2%	10.2%	48.8%	9.5%				
USA SC Growth	8.4%	8.4%	94.5%	20.5%				
USA SC Value	17.0%	17.0%	92.3%	9.1%				
<b>Foreign Developed</b>								
World x-USA	4.0%	4.0%	45.9%	6.3%	7.6%	7.6%	36.9%	7.2%
Europe	4.1%	4.1%	44.9%	5.6%	7.6%	7.6%	34.5%	6.8%
Far East	2.4%	2.4%	39.4%	6.0%	8.6%	8.6%	42.0%	7.1%
Australia	3.4%	3.4%	68.4%	9.0%	4.8%	4.8%	35.4%	9.3%
Canada	9.6%	9.6%	59.3%	9.6%	8.1%	8.1%	40.6%	8.6%
<b>Emerging Markets</b>								
Emerging	2.3%	2.3%	58.4%	6.5%	4.0%	4.0%	53.0%	9.3%
Asia	2.2%	2.2%	60.1%	9.5%	3.5%	3.5%	55.0%	10.1%
Latin America	-5.3%	-5.3%	50.1%	-6.1%	0.5%	0.5%	50.8%	6.5%
EMEA	8.1%	8.1%	52.2%	-0.5%	9.4%	9.4%	42.3%	6.3%

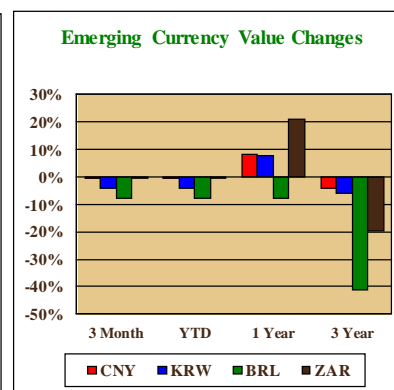
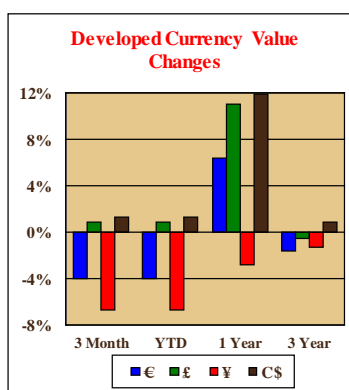


Annualized if greater than one year

Foreign Exchange Rate History (Bloomberg)

3/31/2021	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
<b>Developed</b>					
Euro (€)	1.17	-4.0%	-4.0%	6.3%	-1.6%
British Pound (£)	1.38	0.8%	0.8%	11.0%	-0.6%
Japanese Yen (¥)	111	-6.7%	-6.7%	-2.9%	-1.4%
Canadian Dollar (C\$)	1.26	1.3%	1.3%	11.9%	0.9%
<b>Emerging</b>					
Chinese Renminbi (CNY)	6.55	-0.4%	-0.4%	8.1%	-4.2%
Korean Won (KRW)	1132	-4.0%	-4.0%	7.7%	-6.0%
Brazilian Real (BRL)	5.63	-7.8%	-7.8%	-7.6%	-41.3%
South African Rand (ZAR)	14.78	-0.5%	-0.5%	20.7%	-19.9%

Annualized if greater than one year



## Global Market and Economic Perspective – Q1 2021

### US Fixed Income and Fed Commentary

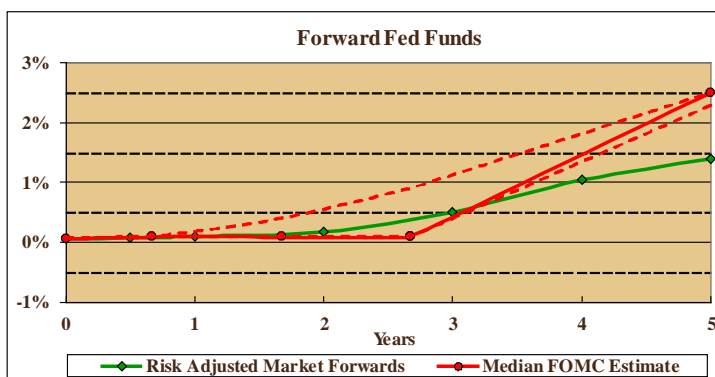
- ❖ As GDP growth continued to recover and inflationary pressures reappeared, bond investors drove Treasury yields higher in the first quarter, especially for intermediate and long-term bonds. This resulted in some of the weakest returns for US Treasuries in decades.
- ❖ The Federal Reserve maintained its long-standing posture, despite the concerns expressed by investors in pushing yields higher. The Fed continued to state that inflation expectations are “well anchored” and that they are not concerned with inflation running somewhat above their 2% target for a while. In addition, they believe that the upward trend in the first quarter is transitory, resulting from price index softness a year earlier.
- ❖ Equity market strength supported pricing in credit-sensitive bonds, particularly in the high yield market, where the decline in credit spreads offset nearly all of the increase in underlying Treasury yields.

FOMC Fed Funds Rate Projections as of March 2021 Meeting						
	Current	Dec-21	Dec-22	Dec-23	Dec-23	Long Run
Lower	0.07%	0.10%	0.10%	0.10%	0.10%	2.30%
Median	0.07%	0.10%	0.10%	0.10%	0.10%	2.50%
Upper	0.07%	0.10%	0.40%	0.90%	0.90%	2.50%

Market Implied Fed Funds Rate as of Apr 01, 2021						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
0.06%	0.07%	0.10%	0.17%	0.51%	1.04%	1.39%

**Notes**

Upper and lower bands show central tendency for FOMC projections.  
Market implied Fed Funds rates are risk adjusted.



### US Bond Yield and Spread History (Bloomberg)

	Current Level	Change Through March 2021			
		3 Month	YTD	1 Year	3 Year
<b>US Treasury</b>					
Short	0.39%	0.20%	0.20%	0.09%	-1.99%
Intermediate	1.37%	0.75%	0.75%	0.80%	-1.30%
Long	2.34%	0.83%	0.83%	1.03%	-0.60%
<b>US High Yield</b>					
Yield	4.23%	0.05%	0.05%	-5.21%	-1.95%
Spread	3.08%	-0.51%	-0.51%	-5.71%	-0.46%
<b>Tax-Exempt Muni.</b>					
Short	0.35%	0.08%	0.08%	-0.87%	-1.51%
Intermediate	0.92%	0.22%	0.22%	-0.59%	-1.48%
Long	1.56%	0.27%	0.27%	-0.45%	-1.39%

