

PERSPECTIVES AND POSITIONS

By James F. Dykstal, CFA, Portfolio Manager, April 2021

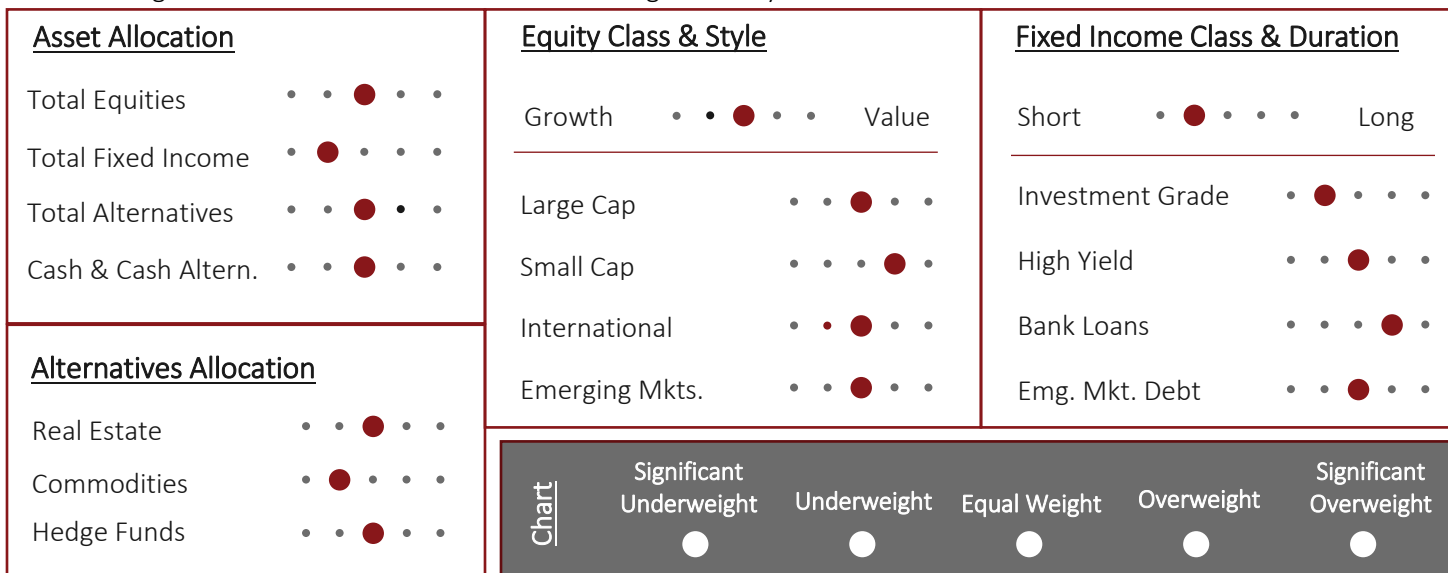
This is a summary of our views on the economy and markets as shared with clients.¹

ECONOMIC AND MARKET OUTLOOK

- U.S. GDP Growth – Economies are reopening and growing and markets are rallying so far in 2021. However, the easy gains are in the past and it will still take a few more months to return to where the economy was a year ago.
- Inflation – Headline inflation (including energy) jumped to 2.6% in March from 1.7% in February due to increases in energy prices. This is the highest reading since August 2018. Pricing pressure in economy is increasing at this time due to employment gains and improvements in consumer spending. This phenomenon could accelerate in second half of 2021 as employment and consumer spending continue to improve.
- Employment/Wages – Unemployment spiked during 2020 and has improved nicely through first quarter of 2021. The economy is still short about 8 million jobs from the high point in early 2020.
- Consumer Spending/Confidence – U.S. personal savings rate increased to a record during pandemic and now is trending back to normal. This trend is good for economic activity in 2021 as the consumer is a large part of the economy.
- Fixed Income – Federal Reserve dropped interest rates to range of zero to 25 basis points in March 2020, and it is expected to remain there for foreseeable future. We expect Fed to be on sideline until at least 2022 and most likely 2023.
- Equities – Driven by the broad-based reopening of the economy, U.S. small cap stocks outperformed in first quarter 2021. We expect the economy to continue to grow in 2021, but with some fits and starts as local economies will reopen at different paces.
- Alternatives – Private real estate sectors -retail, office, and apartment - have not kept pace with the torrid industrial sector. Pandemic-influenced commodity prices have increased in the quarter on the rebound in energy prices and disruptions in industrial production and agricultural supply chains.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



If you would like to receive more detailed information on our discretionary consulting services, please contact Tom Woolwine, President; DMS, LLC; a DeMarche affiliate; at twoolwine@demarche.com or 913.384.4994.

¹ Provided by our affiliate, Discretionary Management Services (DMS), LLC