# Monthly Scorecard

Wealth Management

May 5, 2021 — Portfolio Advisory Group – U.S. Equities

## Performance (Total return % change)

| Index | 4/30/21 | 1 mo. | 3 mos. | YTD | 1 yr. | 2 yrs. |
|---|---|---|---|---|---|---|
| Dow (DJIA) | 33,874.85 | 2.78 | 13.52 | 11.30 | 42.12 | 33.36 |
| S&P 500 | 4,181.17 | 5.34 | 12.98 | 11.83 | 45.96 | 47.21 |
| Nasdaq | 13,962.68 | 5.43 | 7.01 | 8.55 | 58.36 | 75.92 |
| Russell 2000 | 2,266.45 | 2.10 | 9.55 | 15.06 | 74.88 | 46.18 |
| Russell 3000 | 2,503.56 | 5.15 | 12.33 | 11.82 | 50.90 | 49.31 |
| S&P 500 Equal Wgt. | 6,019.66 | 4.74 | 17.72 | 16.76 | 57.03 | 42.99 |
| MSCI AC World | 701.83 | 4.41 | 9.77 | 9.29 | 46.43 | 39.96 |
| MSCI Europe | 144.69 | 4.58 | 10.70 | 9.07 | 43.88 | 24.82 |
| MSCI EAFE | 2,268.51 | 3.08 | 7.95 | 6.82 | 40.56 | 25.36 |
| MSCI Asia-Pacific | 206.35 | 1.41 | 1.81 | 3.81 | 42.80 | 34.17 |
| MSCI Emerg. Mkts. | 1,347.61 | 2.50 | 1.76 | 4.79 | 49.17 | 31.74 |
| 60/40 Allocation[1] | N/A | 3.52 | 7.03 | 6.05 | 27.47 | 32.54 |
| **S&P 500 Sector** | **4/30/21** | **1 mo.** | **3 mos.** | **YTD** | **1 yr.** | **2 yrs.** |
| Consumer Disc. | 1,435.89 | 7.10 | 9.99 | 10.43 | 51.30 | 53.95 |
| Consumer Staples | 713.69 | 2.21 | 9.02 | 3.38 | 22.79 | 27.24 |
| Energy | 371.60 | 0.59 | 26.81 | 31.61 | 35.75 | -16.23 |
| Financials | 601.98 | 6.57 | 25.72 | 23.52 | 62.73 | 35.45 |
| Health Care | 1,412.92 | 3.96 | 5.76 | 7.27 | 23.70 | 41.66 |
| Industrials | 861.51 | 3.59 | 20.60 | 15.42 | 61.58 | 35.85 |
| Information Tech. | 2,452.63 | 5.26 | 8.34 | 7.34 | 54.11 | 81.96 |
| Materials | 521.05 | 5.35 | 17.72 | 14.91 | 62.88 | 51.19 |
| Real Estate | 267.06 | 8.29 | 17.44 | 18.06 | 30.59 | 27.37 |
| Comm. Services | 257.55 | 7.85 | 18.10 | 16.57 | 52.44 | 57.47 |
| Utilities | 339.00 | 4.28 | 8.23 | 7.24 | 20.75 | 21.76 |
| **FI, FX, & Commod.** | **4/30/21** | **1 mo.** | **3 mos.** | **YTD** | **1 yr.** | **2 yrs.** |
| U.S. Treasuries[2] | 1.63% | 0.75 | -2.60 | -3.53 | -4.32 | 9.33 |
| Invest-Grade Credit[3] | 2.18% | 1.11 | -2.34 | -3.59 | 4.46 | 14.78 |
| High-Yield Credit[3] | 3.99% | 1.09 | 1.61 | 1.95 | 19.67 | 14.75 |
| WTI Crude Oil[4] | $63.58 | 7.47 | 21.80 | 31.04 | 237.47 | -0.52 |
| Dollar Index[4] | $91.28 | -2.09 | 0.77 | 1.49 | -7.81 | -6.36 |
| Gold[4] | $1,769.13 | 3.60 | -4.25 | -6.81 | 4.90 | 37.83 |

[1] 60% S&P 500 and 40% Bloomberg Barclays U.S. Aggregate. [2] Yield reflects 10-year U.S. Treasury, total returns reflect Bloomberg Barclays U.S. Treasury Index. [3] Yield and total returns reflect that of the respective Bloomberg Barclays Index. [4] Spot prices and price returns.

Source - Bloomberg, RBC Wealth Management

# Earnings did what?

Global stocks scratched and clawed their way higher in April to new all-time highs as recently as April 29, largely on the back of an earnings season that is evolving favorably for investors as it accelerates. The MSCI All Country World Index climbed 4.4% on a total-return basis with U.S. stocks leading the way on the S&P 500's climb of 5.3% in April. Its European counterpart also helped pull global stocks higher, as the MSCI Europe Index climbed 4.6%. Emerging markets added 2.5% while Asia-Pacific equities were the relative laggards in April with their 1.4% gain.

In the U.S., the Nasdaq held a slight edge over the S&P 500 with its 5.4% gain to lead the major indexes while the Dow Jones Industrial Average climbed 2.8% and the small-cap Russell 2000 gained 2.1%. Sector leadership was evident in the Real Estate, Communication Services, and Consumer Discretionary sectors as each climbed more than 7%. Monthly laggards included Energy, which maintained its year-to-date (YTD) leadership position by a comfortable margin (+31.6% YTD, more than eight percentage points better than second-place Financials), and Consumer Staples.

Economic data proved to be a key catalyst for stocks moving higher in April as initial jobless claims set post-COVID lows multiple times in the month, with the last week of April registering just 553,000 new claims. Institute for Supply Management headline and individual component data surprised to the upside, most notably the new orders dataset.

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Priced (in USD) as of April 30, 2021, market close (unless otherwise stated). Produced: May 5, 2021, 14:57 ET; Disseminated: May 5, 2021, 16:15 ET

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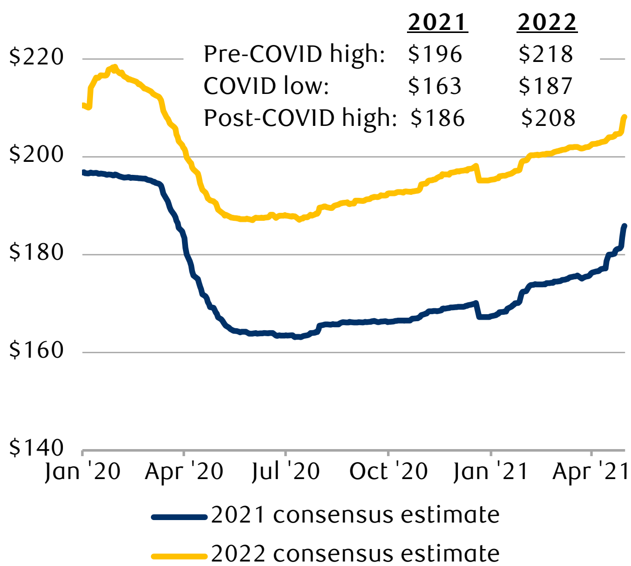
All of these data points were released in advance of Q1 GDP that surprised slightly to the upside, as the U.S. economy delivered 6.4% growth in the quarter, slightly higher than consensus expectations. Combining Q1 GDP with April economic data enabled the market to climb higher based on fundamental data, and the Federal Reserve's dovish stance around bond buying (no change), inflation (all inflation is transitory), and rate hikes (not part of the conversation yet) enabled equity market perceptions and valuations to hold steady. The U.S. economy clearly appears to be in a full-fledged recovery and the Fed is unwilling to step in front of the economic engine at this time.

### Earnings expectations accelerate on positive Q1 2021 surprises

Consensus earnings expectations by calendar year over time




Source - RBC Wealth Management, FactSet; data through 4/30/21

As time horizons are extended, the idea that the market is driven forward by fundamental earnings morphs from a near-term hope to a longer-term fact. And this cornerstone catalyst has proven to be a doozy so far this quarter. Q1 2021 earnings releases will probably go down in the history books as one of the more consequential quarters in recent memory. Fortunately, earnings have been consistently beating consensus expectations. After earnings season started, full-year 2021 and 2022 earnings estimates have improved at the fastest rate since the pandemic began. The chart above shows the recovery in earnings expectations that has been underway since June of last year and has accelerated recently. That acceleration is closely correlated to Q1 results.

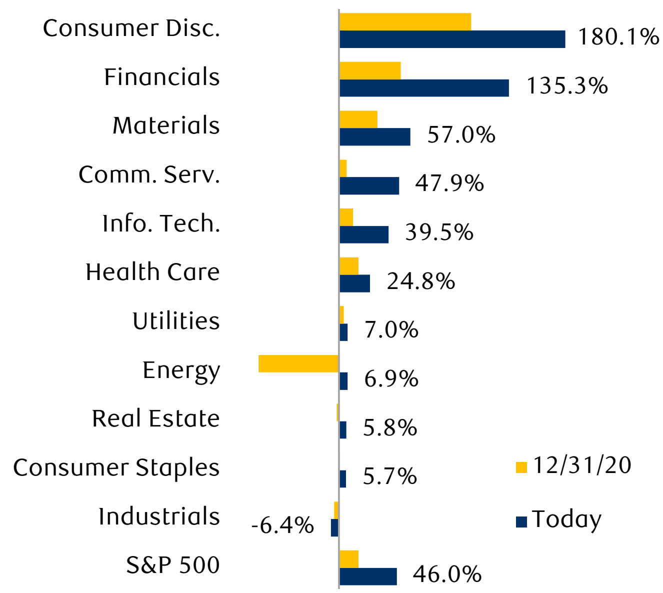
Full-year 2021 earnings trends saw a pre-COVID consensus peak of $196 for the S&P 500. These same 2021 earnings estimates then fell all the way to $163, a decline of 17%, on July 9, 2020. From that nadir, 2021 earnings estimates have climbed 14% to $186, just $10 lower than they were pre-pandemic. Add in the fact that momentum is clearly accelerating to the upside, and it's possible earnings can continue to climb as management teams behave cautiously in setting future expectations in a post-recession world. It then follows to ask: "What does this acceleration look like in real time?"

The earnings acceleration presents itself in the elevated beat rates and quarterly surprises from Q1 results that are tracking near all-time high levels. Specifically, 85% of the S&P 500 companies that have released results have beaten expectations. Four sectors are seeing at least nine out of every 10 companies beat earnings expectations, highlighted by Tech (94%), Financials (93%), Energy (92%), and Consumer Discretionary (90%). Furthermore, these sectors are also delivering some of the highest Q1 growth rates.

These beat rates and improving growth trends help form a Q1 consensus growth rate expectation of 46% y/y for the S&P 500 today, much higher than the 16% expectation at the start of the year.

### Quarterly results are sharply exceeding expectations

Q1 2021 growth y/y, consensus EPS estimates



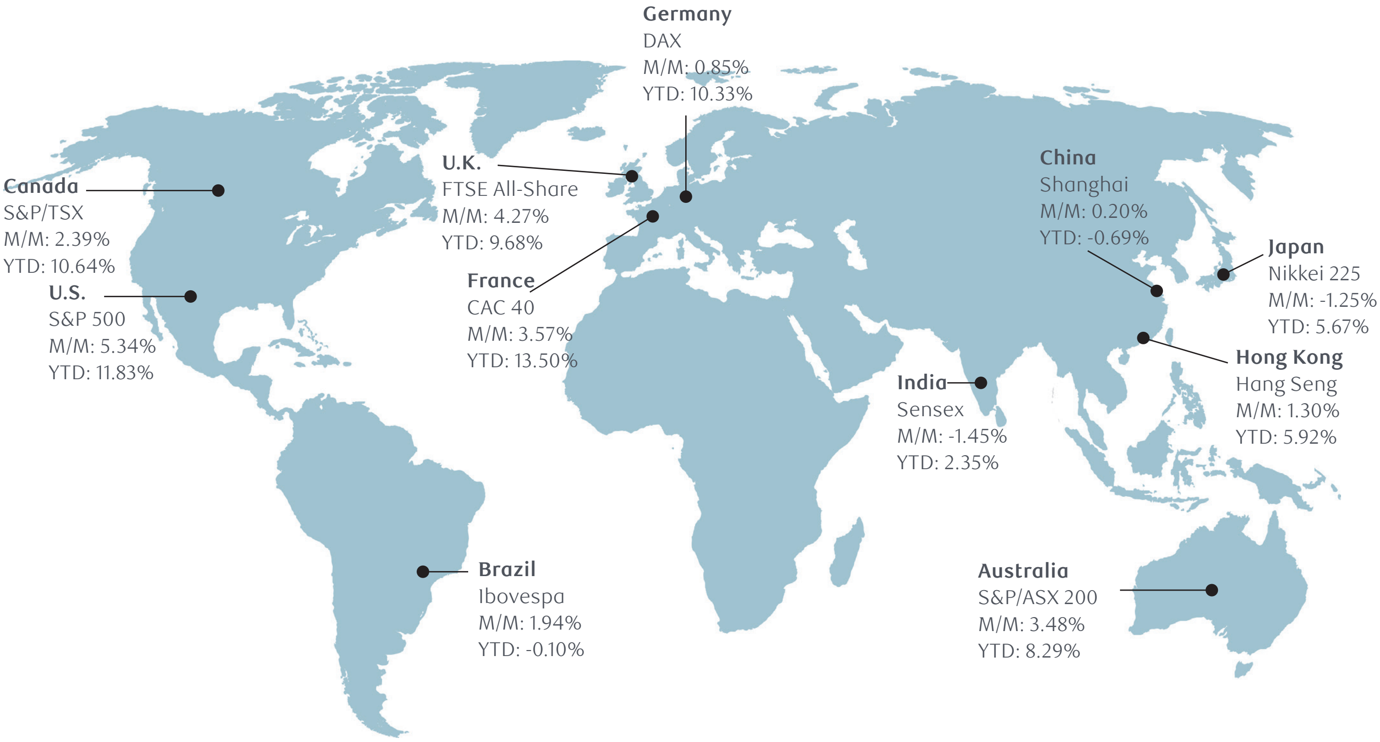

Source - RBC Wealth Management, FactSet; data through 4/30/21

Examples showcasing the strong quarter include Apple delivering nearly $90 billion in quarterly revenues, $12 billion more than sell-side expectations. Amazon revenues of $108 billion were more than $4 billion higher than expected. And these top-line surprises flowed through to bottom lines as well across sectors. JPMorgan Chase, Morgan Stanley, United Parcel Service, Caterpillar, 3M, and Exxon Mobil are examples of other companies outside of Tech that fell into the category of large caps delivering far better revenues and earnings per share than expected. Taken in totality, these companies' results demonstrate the breadth in which quarterly releases are favorably surprising.

Pulling everything together, equity valuations and stock prices have had a strong move higher and incremental gains will take solid fundamental results. That said, it appears downside risks are lower than normal over the next 12 months given very strong economic data, accommodative Federal Reserve policies, and bond yields that remain near 150-year lows despite the recent move higher. While we acknowledge that downside exists in every equity market, history has shown investors willing to invest through uncertainty have typically been rewarded.

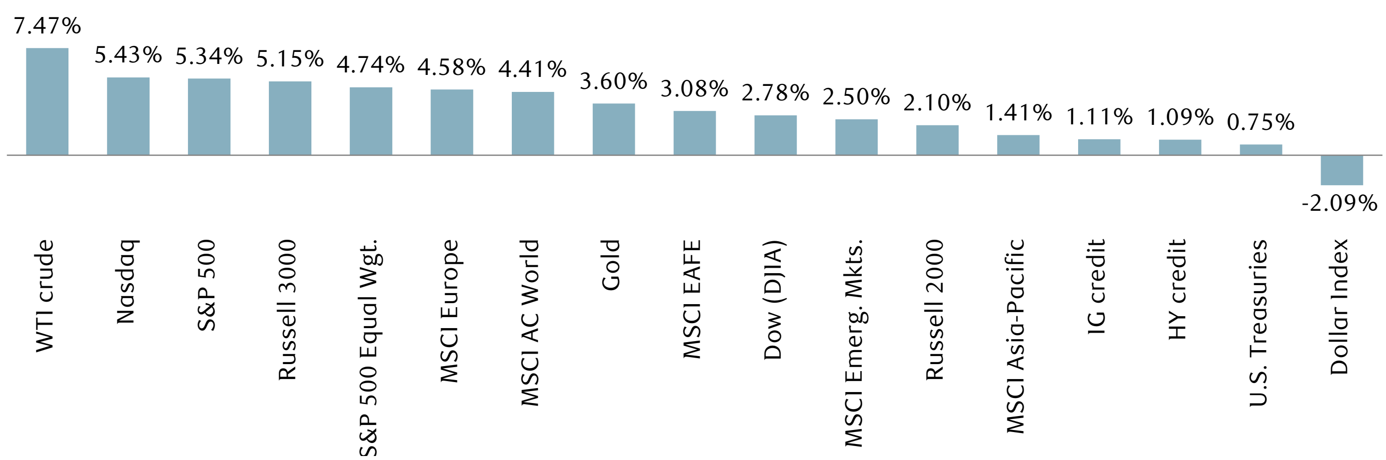
# World markets

## April month-over-month and year-to-date total return




Source - Bloomberg; priced in local currency

## Total monthly returns for select indexes – April 2021




Source - Bloomberg

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As of March 31, 2021

| | | | Investment Banking Services Provided During Past 12 Months | |
|---|---|---|---|---|
| Rating | Count | Percent | Count | Percent |
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| Hold [Sector Perform] | 559 | 40.68 | 179 | 32.02 |
| Sell [Underperform] | 53 | 3.86 | 4 | 7.55 |

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