



STONEBRIDGE
Capital Advisors

The Stonebridge Market Commentary

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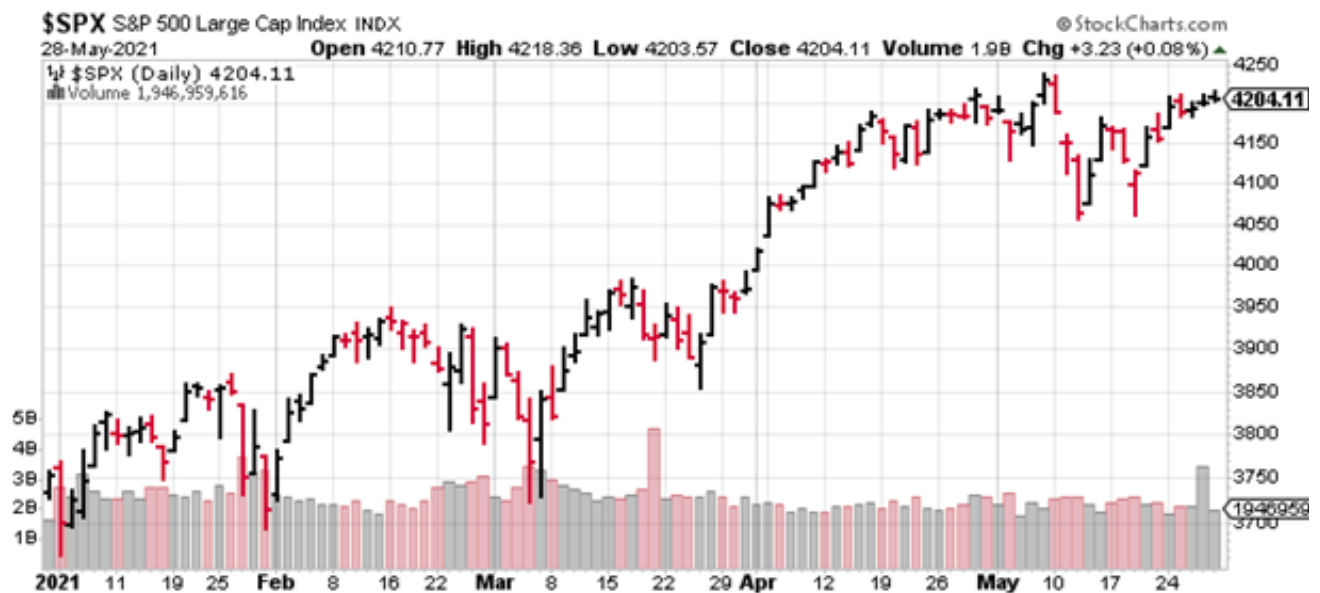
Equity Commentary

DeFAANGed? The market was generally flat overall, but the action was in the rotation out of big tech stocks and into more value oriented plays. There are a lot of themes in play with bitcoin taking yet another dive, the inflation fears, the reopening trade and the slowing economy all being in the mix. All of this makes for an uncertainty in trading and helps keep volatility on the high side. We had pretty good earnings in the first quarter and the market levels reflect that. The question is how strong will the second quarter earnings and the economy be?

As you can see in Chart 1, 2021 has been good to investors with the S&P 500 returning 11.93% for the year. The Dow is similar, and the NASDAQ is the outlier, returning 6.68% so far. May was a mixed affair and the question is, will this rotation away from tech last or is this yet another buying opportunity? Time will tell of course.

As for the markets, May was a mixed affair with the S&P 500 up 0.55%, the Dow up 1.93% and the tech heavy NASDAQ down 1.53%. We are in another quiet period between earnings reports so the markets can get pushed around with little substantive news being reported. In times like these I think patience is a virtue. The background is pretty good overall so it's probably right to keep that in mind as you review your holdings.

Chart 1



Fixed Income Commentary

Despite the growing inflation fears of late, bond yields have yet to really price much in. Perhaps we need more time for the market to absorb and understand the data, as we move through an unprecedented time when much of the economy was shut down, making year over year economic growth and price changes look skewed because the baseline changed so dramatically. Or maybe the market is not expecting price levels to accelerate in a meaningful way just yet, despite what we might feel when we fill up the car with gas, walk out of the grocery store, pick up lumber for that project at home, and so on. Most fixed income indices we track were flat to slightly positive on the month, reflecting the continued strength in rates. The ICE BofA 1-10 Year Corporate & Government index returned 0.32% while the 1-22 Year Municipal Index returned 0.26%, slightly outpacing U.S. Treasury Index performance. Benchmark tax-exempt municipal bond yields remain in rich territory with most of the curve in the 50-60% of comparable U.S. Treasury rates.

Sources: Data sourced through Bloomberg, Morningstar, WSJ Market and StockCharts

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