April 2021

PWM

Piedmont Wealth Management

Client Newsletter

To Our Clients

We hope this newsletter finds you and your loved ones safe and healthy. After a long and challenging year, we welcome the spring season and all its beauty. We hope you have received the covid vaccine, or are close to receiving it, and that you've had opportunity to spend a bit more time with family and friends.

Before we get into the first quarter review and second quarter outlook, we want to update you about a few changes at the firm.

After a long period of review, we have decided to adopt a client portfolio reporting and document management system through a company called Advyzon. One of the benefits is that all of your documents will appear in one location under the Advyzon client portal, including Schwab monthly statements and reports generated by our firm. Based on our review, this new system will be easier for both of us, as it will eliminate the need to login to Morningstar to retrieve reports. Once our transition to Advyzon is complete, everyone will receive notice by email with instruction to access the new client portal. If you prefer not to use the new client portal, you may simply ignore the email to opt out.

As your advisor and your fiduciary, part of our responsibility is to ensure that you are taken care of in the event we are unable to provide services to you. To mitigate any disruption to the advice and services you are currently receiving, we have also entered into a continuity and succession agreement with Pinnacle Advisory Group, Inc. Pinnacle would only step in to provide services to you if Quintin is incapable of doing so and with your full acceptance and agreement.

We take the sharing of your information very seriously, and we assure you that we have not provided any information about you to Pinnacle. Your information would only be shared in the case of a triggering event that would require our firm to engage their services.

Please feel free to call us should you have any concerns or questions about these changes.

First Quarter Review

The first quarter of 2021 was marked by several macro- and micro-economic surprises that resulted in increased market volatility compared to the fourth quarter of 2020, but additional economic stimulus combined with accelerating COVID-19 vaccine distribution and a decline in coronavirus cases helped stocks start the new year with solid gains.

The first surprise of 2021 came on January 5 when both Democratic candidates won Georgia Senate seats in the runoff election, giving the Democratic party a majority in the Senate and control of Congress and the presidency. The very next day, during confirmation of the November 2020 presidential election results, protestors stormed the U.S. Capitol, causing a temporary delay to the election certification and marking a historically tragic day in the U.S. democratic process. After a volatile start to the new year, Joe Biden was certified as the winner of the 2020 election and became president-elect of the United States.

In late January, after two weeks of relative calm, market volatility returned, this time driven by a historic short squeeze in videogame retailer GameStop (GME). The disorderly trading in GameStop and select other stocks caused broader market volatility, primarily due to fears of losses inflicted on large hedge funds because of the various short squeezes. But concerns of widespread losses due to GameStop trading ultimately proved unfounded, and the volatility linked to the GameStop saga dissipated in early February. As trading returned to normal, investors began to focus on macro-economic positives.

First Quarter Review *(continued)*

First, the Democratic-controlled government immediately began steps to pass another massive economic stimulus bill, helping stocks to rally in early February. Second, vaccine distribution throughout the U.S. meaningfully accelerated in February. That, combined with the authorization of a single-dose Johnson & Johnson COVID-19 vaccine, helped investors embrace the idea that the end of the pandemic was now possibly just months away, and that sentiment helped stocks rally further. Finally, COVID-19 cases began to decline rapidly in the U.S., leading to economic re-openings in several states. The S&P 500 recouped all of January's losses and ended February slightly positive for the year.

Markets continued to rally in early March as investors began to price in a looming economic recovery following the passage of the massive $1.9 trillion economic stimulus bill, which President Biden signed on March 11. That new stimulus, combined with COVID-19 vaccine distribution reaching 2.5 million doses/day, resulted in growing expectations for a full economic reopening and recovery in the coming months. But expectations for an acceleration in economic growth also pushed Treasury yields higher during the month of March. The 10-year Treasury yield surged to fresh one-year highs and the rapid rise in bond yields weighed on stocks periodically throughout March, as higher borrowing costs could become a future headwind on economic growth. But while the risk of high yields must be monitored going forward, it was not enough to offset the reality of historic economic stimulus and improvement in the pandemic, and stocks drifted higher to finish the quarter with solid gains.

The first quarter of 2021 at times reminded investors of the volatility and unpredictable nature of markets that we all witnessed in 2020. However, just like markets proved resilient last year, stocks overcame multiple surprises during the first quarter to provide another positive quarterly return.

First Quarter Performance

Expectations of a post-COVID-19 economic recovery drove market performance in the first quarter, as the Dow Jones Industrial Average outperformed both the S&P 500 and the Nasdaq 100 due to the underperformance of technology shares.

US Equity Indexes	Q1 Return	YTD
S&P 500	6.18%	6.18%
DJ Industrial Average	8.29%	8.29%
NASDAQ 100	1.76%	1.76%
S&P MidCap 400	13.36%	13.36%
Russell 2000	12.70%	12.70%

Source: YCharts

One of the biggest sector laggards in the first quarter was tech, as investors rotated out of tech stocks and into cyclical sectors as they positioned for an acceleration of economic activity that is expected to come with a full economic reopening. Traditionally defensive sectors such as utilities, health care, and consumer staples also underperformed the S&P 500 on the expectations of a strong economic rebound.

International Equity Indexes	Q1 Return	YTD
MSCI EAFE TR USD (Foreign Developed)	3.60%	3.60%
MSCI EM TR USD (Emerging Markets)	2.34%	2.34%
MSCI ACWI Ex USA TR USD (Foreign Dev & EM)	3.60%	3.60%

Source: YCharts

Internationally, foreign markets saw positive returns in the first quarter thanks to declining COVID-19 cases, continued progress on vaccinations, and initial signs of an economic reopening across the EU and UK. Emerging markets also rallied in the first quarter on hopes of a global economic recovery, although they underperformed foreign developed markets due to headwinds from a stronger U.S. dollar and economic turmoil in Turkey following the firing of the head of the Turkish central bank. Both foreign developed and emerging markets underperformed the S&P 500 in the first quarter.

Commodities posted strong gains for the second quarter in a row and notably outperformed the S&P 500 over the past three months. Major commodity indices were led higher by a large rally in crude oil futures as investors anticipated an increase in demand for both oil and refined products as the global economy begins to normalize. Gold, however, posted another quarterly decline despite rising fears of higher inflation, as a stronger U.S. dollar combined with the increasing popularity of alternative investments, such as Bitcoin, dampened demand for the precious metal.

Commodity Indexes	Q1 Return	YTD
S&P GSCI (Broad-Based Commodities)	13.55%	13.55%
S&P GSCI Crude Oil	22.54%	22.54%
GLD Gold Price	-9.77%	-9.77%

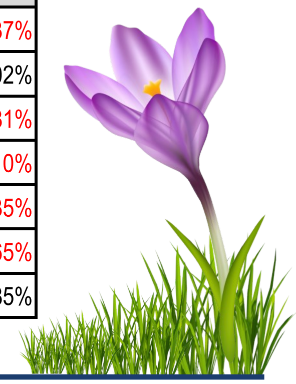
Source: YCharts

First Quarter Performance *(continued)*

Switching to fixed income markets, quarterly total returns for most bond classes were negative for the first time in more than two years. Massive economic stimulus combined with COVID-19 vaccinations led to an acceleration in economic growth expectations in the coming months, but that also resulted in a surge in inflation estimates, which topped a five-year high in the first quarter and that weighed broadly on the fixed income markets.

US Bond Indexes	Q1 Return	YTD
BBgBarc US Agg Bond	-3.37%	-3.37%
BBgBarc US T-Bill 1-3 Mon	0.02%	0.02%
ICE US T-Bond 7-10 Year	-5.81%	-5.81%
BBgBarc US MBS (Mortgage-backed)	-1.10%	-1.10%
BBgBarc Municipal	-0.35%	-0.35%
BBgBarc US Corporate Invest Grade	-4.65%	-4.65%
BBgBarc US Corporate High Yield	0.85%	0.85%

Source: YCharts



Second Quarter Outlook

As we begin the second quarter, the outlook for markets remains broadly positive. Monies from the recently passed stimulus bill are now entering the economy on a personal, corporate and government level, and those funds should help to spur economic growth in the months ahead.

Additionally, while the COVID-19 outlook has recently dimmed in Europe, the outlook for the U.S. remains generally positive. Vaccine distribution continues to accelerate, with the goal of having vaccines available to all adults nationwide by May. As a result, it is not unreasonable to think the pandemic may be declared “over” by the early summer (although obviously COVID-19 inflections will continue, just not at a pandemic level that requires a large-scale government response).

Meanwhile, the outlook for the economic recovery remains bright, with improvement across multiple economic indicators, while the Federal Reserve has pledged numerous times in recent months to continue to keep interest rates low and its quantitative easing (QE) program ongoing until the economy returns to pre-pandemic activity levels.

Those factors all provide substantial support for markets as we begin the second quarter.

But as the first quarter clearly demonstrated, there are always risks that need to be monitored. First, rising bond yields caused volatility in late February and throughout March, and if the pace of the rise in bond yields accelerates, we can expect more stock and bond market volatility as high interest rates are a threat to the economic recovery.

Similarly, investors are expecting inflation to accelerate as historically massive stimulus fuels the economic recovery. Right now, Federal Reserve officials expect any increase in inflation to be temporary, but if that expectation proves to be incorrect, then the Fed will have to remove stimulus via a reduction in the current QE program, and that is not priced into markets right now.

Regarding the pandemic, while the trend in the U.S. is clearly positive, parts of Europe are struggling with vaccine supply, and there is always the risk of a broader vaccine supply disruption or of a new COVID-19 strain that renders vaccines less effective, and any of those events would pose a threat to the rally in the stock market.

From a fiscal standpoint, the multiple rounds of stimulus that have been unleashed upon the economy since the pandemic began have resulted in very large increases to the national debt and federal deficits, and the recently passed stimulus bill only exacerbated those existing issues. So far, markets haven’t seen any negative impacts related to the growing debt or deficits, but these high levels of debt and deficits represent longer-term risks to U.S. financial stability, and it remains unclear when those risks will begin to impact asset prices.

Finally, so far in 2021 markets have embraced the Democratic agenda of more economic stimulus. But numerous prominent Democrats are also in favor of increased corporate, personal and investment taxes, and if those efforts gain momentum, we can expect that to increase market volatility.

For now, these potential risks do not outweigh the actual positive influences pushing stocks higher, and as such, the macroeconomic outlook for the second quarter remains positive. But rest assured we will be monitoring all of the risks listed above, as well as any others that pose threats to your investments.

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Second Quarter Outlook *(continued)*

In sum, the start of 2021 showed that even though 2020 is behind us and the pandemic is likely closer to the end than the beginning, volatility and macro-economic surprises will remain with us, and as such we should all remain prepared for continued volatility. Importantly, though, the start of 2021 again clearly demonstrated that a well-executed and diversified, long-term focused financial plan can overcome temporary bouts of volatility, just like it did in 2020.

We will be in contact with you to schedule our next review meeting. If you have any questions prior to that time, please contact our office to arrange a meeting. We thank you for using our services.

Happy Spring!

Quintin and Ella

2021 Holidays and Office Closures

Closed
Thursday-Monday, May 6-10

Memorial Day
Monday, May 31

Closed
Monday-Friday, June 7-11

Independence Day
(observed)
Monday, July 5

Closed
Monday-Friday, August 9-13

Labor Day
Monday, September 6

Our Office Hours
Monday—Friday, 9:00am—5:00pm

Contact Us
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