



BLACK OAK

FAMILY OFFICE

Economic & Market review – April 2021

US equities made solid gains in April. Q1 GDP growth of 6.4% (quarter on quarter, annualised) narrowly missed expectations of 6.7%, and the trade deficit widened. Even so, aggregate business activity, PMI climbed to 59.7 in March. The gain was led by the service sector, signalling the biggest uptick since 2014. Consumer confidence, while still below its pre-pandemic level, also rose strongly. Meanwhile, 70% of the US population has had at least one shot of the vaccine.

While the recent data have been encouraging, the policy environment is set to stay highly accommodative for some time. President Biden has followed up his \$1.9 trillion fiscal stimulus bill with a proposed \$2 trillion in infrastructure and manufacturing subsidies. The Federal Reserve (Fed) also confirmed its willingness to run the economy above the long-term inflation target to support economic recovery and full employment.

Investor sentiment was supported by the combined economic and policy backdrops, but also a robust earnings season. Big tech firms were particularly strong - the combined revenues of Alphabet, Amazon, Apple, Facebook and Microsoft jumped 41% in Q1. Consumer discretionary stocks were also buoyant, tallying with rising consumer confidence. Energy and consumer staples lagged the wider index with weaker aggregate gains.

Eurozone shares also gained in April. After the outperformance of lowly valued parts of the market in recent months, higher growth areas tended to perform better in April. At sector level, information technology was among the top performers along with real estate and consumer staples. Energy registered a negative return. Within the consumer discretionary sector, automotive stocks saw some profit-taking after March's strong gains, while luxury goods fared well. The Q1 earnings season began on a positive note. Several banks have been able to reduce reserves, or lower provisioning levels, because government and central bank support has so far averted a wave of bad loans.

Several countries, including Germany, continued to battle rising Covid-19 infections. However, rates slowed in Italy, enabling the government to loosen restrictions in some regions. Many eurozone countries began to speed up the roll-out of Covid-19 vaccines.

@ Black Oak 2021. All rights reserved.

It shall be kept in mind that the content is provided for informational purposes only and that any product information provided herein is not advanced in consideration of a portfolio of a specific end-client and shall not be regarded as investment advisory service provided by Black Oak.

Black Oak Family Office SA is regulated and recognized in Switzerland by the Swiss Association of Asset Managers (SAAM).