



March 8, 2021

FUSCO FINANCIAL ASSOCIATES

Market Commentary

Dear Valued Clients,

When it comes to the equity markets, it seems as though there is plenty of good news to go around. But even with improving COVID-19 trends, an expanding US economy, and additional fiscal stimulus expected in the coming weeks, many are wondering if market sentiment is getting ahead of itself, and if the increased volatility we saw last week is indicative of a looming negative trend.

Often times when equity markets are suggesting a more substantial correction is on the horizon, credit markets will reflect that anxiety. Corporate spreads remain incredibly tight, and high yield spreads recently hit their lowest level since 2014. While the S&P 500 has suffered some weakness recently, we believe this is more due to the outsized weighting of mega-cap growth names (think Apple, Netflix, Amazon, and Microsoft). Since February 16th, the technology and consumer discretionary sectors are both down at least 2%, however, sectors tied to the reopening trade have rallied significantly, with energy gaining more than 8% and financials more than 4%.

So where do we go from here? Near-term, a correction is entirely possible. But, as we have noted many times before, corrections are a normal part of the market cycle, and happen with tremendous regularity year by year. However, markets don't always purely go up or down, and a sideways consolidation to digest the gains of the past year is certainly a possible outcome. Regardless of the prospects for stocks in the near-term, we continue to believe that an expanding economy, supportive fiscal and monetary policy, along with rising bond yields suggest a rather bullish intermediate and long-term outlook.

If you would like to hear more in-depth analysis of our outlook, please join me for a webinar on March 18th at 6:30 EST, when we will discuss the equity markets,

economy, and our feelings on where the year will head. You can register by following this [link](#).

Please continue to stay safe, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With my best regards,



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