April 2021

WealthManagement

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Market Insights

A periodic newsletter from Idaho Trust Bank

The U.S. economy seems poised to experience exceptionally strong growth in the second half of this year, despite some recent vaccine distribution setbacks. The Federal Reserve is likely to keep its interest rate policy unchanged at least until 2022, similar to the accommodative position of most other major central banks. Inflation may move higher in the coming months as economic activity strengthens but this may well be a temporary situation. Ultimately, the speed and strength of the recovery will be shaped in part by the success of the vaccine rollout.

Economic Activity

About one year ago, as the virus began to spread, the economy effectively shut down, putting more than 20 million people out of work. Both the Federal Reserve Bank (Fed) and the U.S. government took swift and dramatic action to offset the impact of the shutdown. Additionally, the development of vaccines in record time, not only helped to avert a second catastrophe, but also led to one of the swiftest economic recoveries on record. Moreover, the equity market experienced a very strong rebound.

The combination of trillions of dollars of fiscal stimulus, ultralow interest rates, and a reopening of the U.S. economy in coming months suggests we will enter a period of exceptionally strong economic gains. This may cause inflation to

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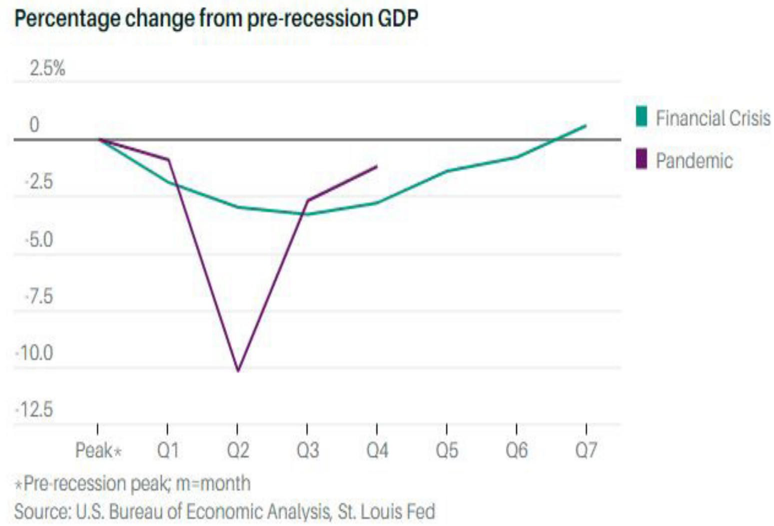
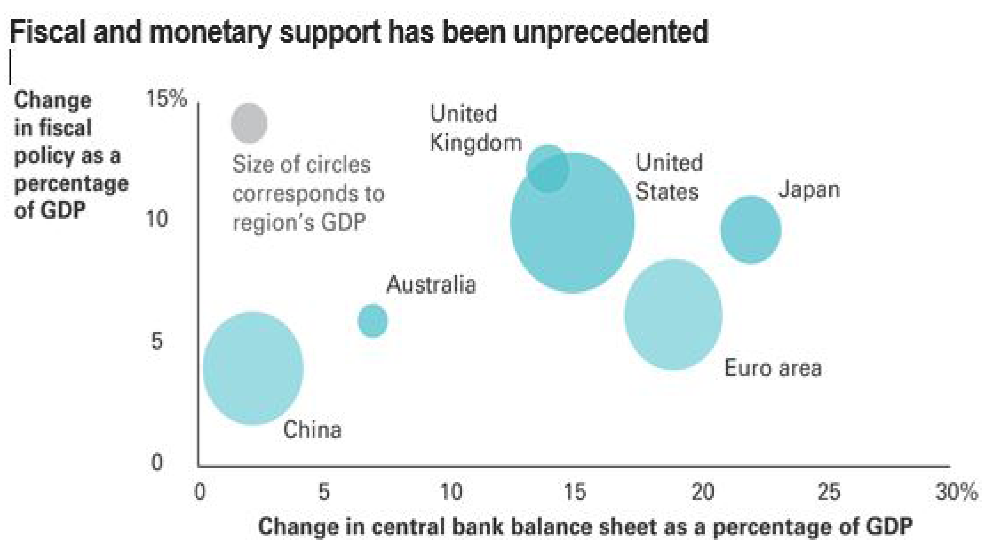
LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust Bank's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.



increase at a rate that is above the rate we have experienced over the past 5 years. Several economists are concerned that the job market will bounce back faster than the Fed expects. This environment could be a challenge for policy makers to navigate as a strong economy and higher inflation may well concern investors.

Domestic Gross Domestic Product (GDP) tumbled 10.2% from the peak at the end of 2019; four quarters later, it is slightly below the pre-Covid recession. Many expect that GDP will reach a new high during the first quarter of 2021. The unemployment rate fell to 6.2% last month from a peak of 14.8% in April 2020—a decline that took 10 months. For comparison during the financial crisis in 2008, GDP declined just 3.3% from its peak, but took seven quarters to recover. The unemployment rate, which peaked at 10% in October 2009, took almost 5 years to drop to 6.2%.

As economic activity resumes, consumer spending should provide a big boost, as pent up demand and strong consumer balance sheets provide an economic tailwind. U.S. consumer net worth hit a record $130.2 trillion at the end of the fourth quarter of 2020, up 23.3% from the level in the corresponding 2018 period, and Congress just approved another round of stimulus.



First-Quarter Recap

The U.S. indices experienced strong gains in the first three months of 2021. The S&P 500 index rose 6.2% from January through the end of March. Small-cap stock, which are more sensitive to economic activity, fared even better, advancing 12.7%. Bond returns were slightly negative as anticipation of a stronger economy helped to push interest rates higher.

Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies, had a very modest increase. As Covid related restrictions have begun to be rolled back, the most economically sensitive sectors, such as Energy and Financials, experienced health advances. Europe has experienced a recent slowdown in activity levels as several countries have struggled with an effective COVID-19 response. This helps to explain slightly softer returns in the International markets.

2021 Market Returns

(Year to Date)

as of March 31, 2021

Broad Market Returns	
S&P 500	6.17%
Dow Jones Industrial Average	8.29%
Nasdaq	2.96%
Russell 2000 - small cap	12.69%
MSCI EAFE	3.48%
MSCI Emerging Markets	2.29%
US Bond Index	-3.37%
Treasuries	-4.25%
Corporate Bonds	-4.65%
Municipal Bonds	-0.35%
Foreign Bond Index	-6.45%
Commodities	6.92%
Domestic Stock Sectors	
Information Technology	1.97%
Financials	15.90%
Health Care	3.18%
Energy	30.84%
Consumer Discretionary	3.11%
Consumer Staples	1.15%
Industrials	11.41%
Utilities	2.84%
Materials	9.08%
Telecommunication Services	8.08%
Real Estate (REITs)	9.02%

Conclusion

Given the large number of unknowns surrounding coronavirus, it is likely that the market could experience some volatility over the summer months. The economy is experiencing a sharp rebound but the investment markets have anticipated these improvements. The ultimate path of the COVID-19 spread remains unknown and the path to vaccinate the population has faced some logistical challenges. These factors will likely impact the economic picture this year.

S&P 500 Index

3 Month	6.17%
Year-to-Date	6.17%
1 Year	56.33%
3 Year	16.75%
5 Year	16.27%

MSCI EAFE Net Index

3 Month	3.48%
Year-to-Date	3.48%
1 Year	44.57%
3 Year	6.02%
5 Year	8.84%

Barclays Aggregate Bond Index

3 Month	-3.37%
Year-to-Date	-3.37%
1 Year	0.71%
3 Year	4.65%
5 Year	3.10%

As of 3.31.2021

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