MARKET & LEGAL UPDATE
APRIL 2021 REVIEW

Investment Advice provided by USI Advisors, Inc. Under certain arrangements, securities offered to the Plan through USI Securities, Inc. Member FINRA/SIPC.

CORPORATE OFFICE:

95 Glastonbury Blvd., Suite 102
Glastonbury, CT 06033
860.652.3239*

USI Consulting Group is an affiliate of both USI Advisors, Inc. and USI Securities, Inc.

USI CONSULTING GROUP SERVICE REGIONS:

Atlanta, GA
Austin, TX
Boston, MA
Charlotte, NC
Chicago, IL
Cincinnati, OH
Cleveland, OH
Columbus, OH
Dallas, TX
Denver, CO
Detroit, MI
Fort Lauderdale, FL
Fresno, CA
Green Bay, WI
Houston, TX
Indianapolis, IN
Irvine, CA
Knoxville, TN
Long Island, NY
Los Angeles, CA
Louisville, KY
Minneapolis, MN
Nashville, TN
New York, NY
Omaha, NE
Orlando, FL
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Portland, OR
Seattle, WA
St. Louis, MO
Tampa, FL
Toledo, OH

** Inquire about the location nearest you*

"Corporate Profits and Economic Indicators Continue to Rise "

The Dow, S&P 500, and Nasdaq reached new highs during the month, as corporate profits accelerated, the economic outlook continued to prosper, new fiscal policy was announced, vaccinations across the U.S. progressed, and declining coronavirus cases were reported. The Federal Reserve continued to maintain its low interest rate policy and indicated that it will maintain the Fed Funds rate through 2023. The S&P 500 Index gained 5.3%, which was its best month since November 2020, as treasury yields took a pause from steadily rising each month since late last year.

The S&P 500 set 25 record closes in 2021 with economic data and profit growth figures continuing to be revised upwards. According to FactSet, profits for S&P 500 companies are expected to rise 45% during the first quarter, whereas analysts projected only a 16% rise for the quarter at the end of December. In addition, second quarter forecasts are expected to rise 56%, which have also been revised upwards. The markets have seen a strong rotation towards value stocks relative to growth stocks since late last year. The transportation sector for example has risen 23% this year and advanced for 13 consecutive weeks, the longest such streak since 1899. The sector was adversely impacted a year ago with airlines virtually grounded and factories closed. The strong performance is a good barometer for the health of the economy. However, market valuations have become much pricier, with the price-earnings ratio for the S&P 500 at 22.2 times next year's earnings (compared to an 18.2 five-year average). LPL Financial research reported that since 1950, when the S&P 500 was up between 5-10% during the first quarter, it had an average gain of 12% for the year and finished the year up 90% of the time. Another strong market signal observed was that 95% of the S&P companies are trading above their 200-day average, which happened only 3 times in the last 20 years. With 90% also above their 50-day average, the average gain for the year was 16.4% the last 15 times this occurred according to Truist Advisory.

Market Return Indexes	April 2021	YTD 2021
Dow Jones Industrial Average	2.8%	11.3%
S&P 500	5.3%	13.0%
NASDAQ (price change)	5.4%	8.3%
MSCI Eur. Australasia Far East (EAFE)	3.0%	6.6%
MSCI Emerging Markets	2.5%	4.8%
Bloomberg Barclays High Yield	1.1%	2.0%
Bloomberg Barclays Aggregate Bond	0.8%	2.6%
Yield Data	**April 2021**	**March 2021**
U.S. 10-Year Treasury Yield	1.63%	1.74%

The Commerce Department reported during the last week of April that the U.S. economy grew at 6.4% during the first quarter and that jobless claims fell to their lowest level since the pandemic began. The Commerce Department also announced that household income rose at a record pace of 21.1% in March, the largest monthly income increase, with records dating back to 1959. The International Monetary Fund (IMF) expects the world economy to grow 6% this year, the most since 1980 when it started tracking data. The IMF upgraded their forecasts from a 5.5% projection made in January and a 5.1% projection made in October 2020. The pandemic cut global output by 3.3% in 2020, the worst peacetime outcome since Great Depression. The IMF expects the U.S. economy to grow 6.4% for the year and regain its pre-pandemic size after falling about 3% last year, its worst drop in post-modern World War history. The Bank of America predicts U.S. GDP to return to its pre-pandemic levels by Q3 2021, when just a few months earlier, projected it would not occur until 2022. Further, employers are expected to add over 7 million new jobs this year to bring the unemployment level down to about 4.8% by year-end. Finally, the S&P CoreLogic Case Shiller National Home Price Index, which measures home price averages in major metropolitan areas, rose to a new 15-year high, rising 12% in the year that ended February.

The new administration is planning $4.1 trillion of new stimulus, including $2.3 trillion for infrastructure and the $1.8 trillion American Families Plan for childcare and education which was announced on April 28. The fiscal stimulus would add to the $1.9 trillion stimulus earlier this year, as well as the $0.9 trillion package last December and $3.5 trillion stimulus package a year ago. President Biden announced the new spending policies could be financed primarily by raising corporate taxes and those earning over $400,000.

Nearly 30% of the U.S. population has been fully vaccinated and about 42% have received at least one shot. The 7-day average of new cases finished the month at 50,698, which has steadily declined, when it peaked on April 13 with 77,446 cases. There was a 10-day pause in the Johnson & Johnson vaccine with 17 cases of blood clotting in women reported. The CDC reinstated the vaccine for use during the month as nearly 7 million people had received the one-dose shot before it was suspended on April 13. It appears the vaccines are slowing the spread of new infections which is further improving the economic outlook.

Although markets reached new highs with expectations for strong economic growth and a "return to normal" investors are watching for signs that could impede the momentum. While more fiscal stimulus could provide further fuel to the markets, President Biden's plan to raise taxes on corporations could also slow earnings and growth outlook. An increase in the capital-gains taxes to be taxed at near ordinary gains levels (for $1 million or more of gains) could cause investors to sell and realize gains ahead of the higher taxes. The fiscal spending has caused the U.S. budget deficit record of $1.7 trillion at end of 3/31/2021, more than double what it was a year ago. Record fiscal stimulus may also cause inflation to accelerate, which could cause the Fed to reduce quantitative easing (taper tantrum) sooner than the market anticipates and cause interest rates to rise. An unexpected rise in rates similar to the taper tantrum in 2013 could become a headwind for the market rally. Companies will also have to continue to beat earnings projections, which they have done at over an 85% rate for the quarter (consistent with prior quarters), to maintain the upward trend in the markets.

LEGAL UPDATE | Department of Labor Issues Cybersecurity Guidance

Since almost everything about retirement plans now exists on online electronic platforms, plan fiduciaries must confront the reality of cybersecurity threats to plan assets, participant data, and participant accounts. On April 14, 2021, the United States Department of Labor (DOL) issued new guidance on cybersecurity for defined contribution and defined benefit pension plans subject to ERISA. The guidance outlines best practices and comes in three forms, each addressing a different audience:

1. For Plan Sponsors - Tips for Hiring a Service Provider with Strong Cybersecurity Practices
2. For Record-keepers - Cybersecurity Program Best Practices
3. For Plan Participants - Online Security Tips

Tips for Hiring a Service Provider with Strong Cybersecurity Practices

These "Tips" are designed to assist plan sponsors and fiduciaries to comply with ERISA's requirement that retirement plan service providers are prudently selected and monitored. The DOL guidance includes tips in six general areas:

1. Inquire about a service provider's information security practices and policies and audit results, and compare them to industry standards;
2. Ask the service provider what levels of security standards it implements and has met, and identify the relevant provisions of the service provider's agreement that permit the review of audit results that confirm compliance with the service provider's standards;
3. Assess the service provider's reputation in the industry by searching publicly available information regarding past security incidents, litigation and legal proceedings related to the provider's services;
4. Ask the service provider about any past security breaches, including what happened and how the provider responded;
5. Inquire about the service provider's insurance policies that would cover losses attributable to cybersecurity failures and identity theft breaches (both internal and external); and
6. Confirm that the service provider agreement requires ongoing compliance with information security and cybersecurity best practice standards, and an acceptable level of indemnification for IT security breaches. This would include, among other provisions, ensuring that the agreement addresses third party audits, clear confidentiality requirements, notifications of cybersecurity breaches, record retention compliance standards and insurance.

Cybersecurity Program Best Practices

The DOL guidance describes 12 protocols for record-keepers and other service providers responsible for the IT systems and data related to retirement plans. The guidance describes the following practices:

1. Establish and maintain a formal, well-documented cybersecurity program;
2. Annually conduct a prudent risk assessment;
3. Annually engage a reliable third party to conduct an audit of security controls;
4. Clearly define and assign information security roles;
5. Establish strong access control procedures;
6. Confirm that any data or assets stored in a cloud or maintained by a third party are subject to security reviews and independent security assessments;
7. Conduct cybersecurity awareness training periodically;
8. Establish and manage a secure system development life cycle (SDLC) program;
9. Establish an effective business resiliency program that addresses business continuity, disaster recovery and incident response;
10. Encrypt stored and in-transit sensitive data;
11. Establish strong technical controls that reflect best security practices; and
12. Respond appropriately to and document any past cybersecurity incidents.

Online Security Tips

The DOL's recommendations for retirement plan participants to secure their retirement plan accounts include the routine monitoring of plan accounts, the use of strong and unique passwords, the use of multi-factor authentication, keeping participant contact information current, closing unused accounts, avoiding the use of free Wi-Fi, and being aware of phishing attacks. Although not required, it is also a good idea to provide these tips to plan participants.

Conclusion

The DOL's cybersecurity guidance makes clear that plan sponsors and fiduciaries are expected to establish and maintain programs and protocols that protect plan assets and plan participants from cybersecurity threats. The programs and protocols should include periodic audits and training. The guidance further suggests that retirement plan fiduciaries, record-keepers and other service providers document their cybersecurity policies and procedures, including requiring clear and strong contractual provisions around cybersecurity.

If you have any questions or would like additional information, please do not hesitate to contact your USI Consulting Group representative.

For previous market commentaries please click here.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

5021.S0503.0047