



Company Profile

Farmers Trust Company is licensed by the Ohio Division of Financial Institutions as a bank, authorized to conduct trust business and exercise full fiduciary powers. Our efforts are focused on the administration and management of trust assets. As an independent trust company, Farmers Trust Company offers several investment management options.

We are committed to providing the highest level of service in the areas of investment management, estate settlement, living trusts, testamentary trusts, charitable trusts, charitable endowments and employee benefit plans. Tax and estate planning services are available to our clients as well.

Farmers Trust Company has the unique ability to integrate investment, trust and estate management at a local level. Our clients appreciate the fact that their financial affairs are handled personally and confidentially. They also value our ability to work closely with their attorneys, accountants and insurance professionals to achieve a comprehensive financial strategy.

Market Recap and Outlook First Quarter 2021

MARKET SCORECARD as of 3/31/2021	TOTAL RETURN IN USD	
	Q1	2021 TR YTD
DOW JONES IND AVG	8.29%	8.29%
S&P 500	6.17%	6.17%
NASDAQ	2.95%	2.95%
MSCI EAFE EQUITY (GROSS)	3.60%	3.60%
RUSSELL 2000 INDEX	12.70%	12.70%
MSCI EMERGING MARKET EQUITY (GROSS)	2.34%	2.34%
BARCLAYS INTERM. TREASURY	-1.76%	-1.76%
BARCLAYS INTERM. GOVT/CREDIT	-1.86%	-1.86%
BARCLAYS 5 YEAR MUNI INDEX	-0.31%	-0.31%
BARCLAYS HIGH YIELD CORP INDEX	0.85%	0.85%
iShares S&P GSCI COMMODITY TR INDEX	13.55%	13.55%
Note: All returns include invested cash flows expressed in U.S. dollar terms		

Market Recap

The financial markets continued their V-shaped recovery in the first quarter of 2021. The S&P 500 gained 6.17% for the first three months of the year and the Dow Jones Industrial Average was up 8.29% during the same time frame. In a reversal of fortune that began in late 2020, the technology heavy Nasdaq Composite lagged with a 2.95% return. Large capitalization stock indexes have seen a change in leadership so far in 2021 as Large Cap Growth stocks were up only 2.12% as compared to Large Cap Value stocks up 10.77%. The Energy sector, which had the worst sector return for calendar year 2020, is now the best performing sector in 2021, up 30.85%. Technology stocks, which had been the best performers in 2020, are now the second worst performers in 2021, up only 1.97% (Consumer Staples were the worst performing sector up 1.15% for the first quarter of 2021). Small capitalization stocks as measured by the Russell 2000 had a very strong start to the year and were up 12.70% for the first quarter. Foreign equities (as measured by the MSCI EAFE index) were up 3.60% for the first three months of 2021, and Emerging Market stocks were up 2.34% over the same time period. Bonds saw a drop in price, pushing yields higher in the first quarter of 2021 with the BARC Intermediate Government/Credit Index -1.86%. Municipal bonds as measured by the BARC 5 Year Muni Index posted a -0.31% return for the same time frame. High yield bonds in the U.S. returned 0.85% for the first three months of 2021. Commodities (as measured by the S&P Global GSCI Index) have a strong start to 2021, up 13.55% for the first quarter.

Key Points

- Volatility will persist in 2021, especially later in the year as year-over-year economic and corporate earnings data comparisons become difficult to surpass
- High multiple growth stocks will continue to struggle as bond yields rise, leading us to favor value oriented equities
- Massive stimulus from the Federal government shows no signs of slowing down, which continues to put downward pressure on the U.S. dollar
- Additional stimulus money, a fully re-opened economy, and supply constraints all make for a witches' brew of higher prices

Investment Outlook

The sector rotation out of pricey technology stocks that began in late 2020 has continued into 2021. With real bond yields jumping higher in 2021, high multiple growth stocks have lagged so far in 2021 and value oriented equities have taken leadership in equity markets. We would expect this sector rotation into more cyclical, value oriented stocks to continue and as a result we favor Industrials, Financials, Energy and Materials in this environment and are underweight Technology stocks as well as Consumer Discretionary stocks. We remain bullish on foreign assets (both stocks and bonds) as the massive Federal government stimulus will continue to put downward pressure on the U.S. dollar and make foreign assets relatively more attractive. The elevated nearer term inflation expectations are warranted and will manifest themselves in the second half of 2021. As a result, we continue to like commodities, Real Estate Investment Trusts (REITs) and Treasury Inflation Protected Securities (TIPS).

Global Macroeconomic Review and Outlook

Although consensus inflation expectations are rising, the Personal Consumption Expenditures (PCE) price index (the Federal Reserve's preferred measure for inflation) was up only 1.4% over the last 12 months through February 2021. With current inflation data well below the Federal Reserve's target rate of 2% (they have indicated they may let inflation run above that target in the near term), a rise in short term interest rates seems unlikely. Fourth quarter 2020 GDP was revised up to 4.3% and the unemployment rate has fallen back down to 6% on the heels of a torrid March 2021 non-farm payroll report of close to 1 million jobs added for that month alone. As vaccination for the COVID pandemic allows more re-opening of the economy, we would expect the economy to continue to rebound as well. For the second quarter of 2021, the year-over-year comparisons will be easy to surpass, but those hurdles become more difficult as the year progresses.



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