Dixon, Hubard, Feinour & Brown, Inc. investment counsel

First Quarter 2021 Review & Outlook
by Whitney Brown

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INVESTMENT OUTLOOK

- Cyclical stocks lead for the quarter.
- Bond yields surge.
- Monetary and fiscal support should limit market correction.
- Market volatility may increase.

Following a sharp and painful selloff a little over a year ago, equity markets staged a stunning recovery thanks to unparalleled monetary ease by the Federal Reserve and fiscal stimulus spending by Congress. Their actions bought time for our stricken economy to regroup and adapt to the pandemic. Always looking ahead, markets saw that the tremendous injections of money into the economy would not just support consumer and business spending but would also flow into investment assets.

Early on, tech and consumer-oriented growth stocks that were able to thrive in the pandemic led the way. In recent months, financial markets have revealed great optimism among investors about the recovery of the wider economy. Stocks in sectors and segments sensitive to the economic cycle -- energy, financials, industrials, and materials -- have roared ahead. In a reversal of fortune, value stocks beat growth in the first quarter by the greatest margin since 2001. The market-leading growth stocks of last year have taken a back seat while digesting their prodigious gains. Smaller companies more leveraged to the domestic economy have done especially well. In tandem, longer-term bond yields have surged since they are less directly controlled by the Federal Reserve.

Market Measures	1st QTR	YTD
S & P 500 (price)	5.8%	5.8%
Dow Jones Industrial Average	7.8&	7.8%
NASDAQ Composite	2.8%	2.8%
Russell 2000	12.4%	12.4%
MSCI EAFE	2.8%	2.8%
Barclays Capital Inter. Gov't/Credit Bond Index	-1.9%	-1.9%
	03/31/21	03/31/20
10-Year U.S. Treasury Bond Yield	1.75%	0.67%
Three-month U.S. Treasury Bill Yield	0.02%	0.10%

These strong shifts, or rotations, of investor interest from the last thing to the latest thing can give observers the sense that markets are too volatile and that the top must be near. On the contrary, the broadening of the market uptrend to include stocks from a wider variety of sectors and market capitalization segments is a sign of good health. The sharp increase in bond yields has also added to short-term volatility by heightening concerns about how high they can go before causing trouble for stocks. We may find out in time, but we should bear in mind that the yield on the 10-year U.S. Treasury is just now back to where it was in January of last year before the pandemic began in earnest.

There is little doubt that we will experience some corrective action in the market this year, but we believe the beneficial impact of the huge amounts of monetary and fiscal support in play should limit the downside. We can manage through market volatility by focusing on the basics. We work hard to understand the intermediate and longer term trends of the major asset classes. Staying in sync with those trends helps us reach an effective allocation among stocks, bonds, and cash according to each client's objectives. We diversify and stay flexible as to where we can invest, be it large cap or small, domestic or international, growth or value. We emphasize quality in the companies we own from financial soundness to reliability in growth of revenue and earnings.

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Enjoy Your Retirement, Ted!

by Jim Hall

After working with DHFB for 33 years, Ted Feinour has decided to retire. We have enjoyed his spirit, knowledge, and energy in our office since he joined the firm in 1988. Only in the last two years has he even contemplated retirement as he recovered from a very severe automobile accident that required multiple surgeries and many sessions of rehabilitation that are still ongoing.

Ted began his financial management career in Richmond in 1970 when he joined F&M Bank as a Trust officer. F&M "temporarily" sent him to Roanoke to run their Trust office here. However, Ted and his wife, Susie, fell in love with the Roanoke community and lobbied the bank to extend the assignment. Finally, when the bank was insisting on their return to Richmond, he balked and moved across the street to work with Dominion Bank's Trust Company where he worked closely with his two future partners, Walter Dixon and Stebbins Hubard. DHFB was founded in 1981 and by 1988, Ted was enticed to work directly with Dixon and Hubard again.

Over the years, Ted's impact on the Roanoke Community has been profound. Among the many highlights, he served as Chair of the Roanoke City School Board; he served on the Board of Friendship Manor and chaired the Board for 23 years as Friendship grew from a single facility off Hershberger Road to a large organization offering a continuum of care in facilities throughout the Roanoke Valley. He is currently in his second term as a Trustee of Union Presbyterian Seminary and has served as an Elder and manager of the Second Presbyterian Church Fund for many years. Ted continues to serve on the Juvenile Diabetes Research Foundation Board and was President for two years. During his tenure, Ted and Susie have been instrumental in helping JDRF raise in excess of $1 million dollars!

In retirement, Ted and Susie plan to travel, enjoy their family and the accomplishments of their eight grandchildren, and will spend more time at their Smith Mountain Lake home.

Ted, we will miss you and hope you will still drop by the office on occasion so we can keep up with your activities!