

### The Economy Rolls On

Vaccinations and Fed stimulus continue to drive consumer spending and fuel a strong economic recovery. GDP was up 6.4% in the first quarter. This is the third consecutive quarter of strong growth and it is reflected in the broad improvement we are seeing in company earnings. This quarter, 87% of companies have reported better than expected earnings. Not only are they beating estimates, they are blowing them away. On average, companies are beating expectations by 22.8% this quarter, compared to a long-term average of 3.6%. This has brought earnings back to pre-COVID levels.

Another encouraging sign is that the improvement is broad based, across both the goods and service sectors. Those sectors which were hurt the most by the shut-down last year are now seeing solid growth (specifically air transportation, lodging, and food services). Assuming more people continue to get vaccinated and the Fed remains accommodative, as they have indicated they would, we should expect to see continued economic growth to support company earnings, which is a good sign for stocks in the near term.

### Bloomberg Commodity Spot Index



Source: FactSet

### Market Returns

Source: Morningstar Direct data as of April 30, 2021

Asset Class	Index	Total Return 1 Month	Total Return YTD	Total Return 1 Year	Annualized 3 Year	Annualized 5 Year
Global Equities:	Diversified Equity Benchmark*	4.79	10.87	48.72	16.09	15.49
Domestic Equities:	S&P 500 (Large Cap)	5.34	11.84	45.98	18.67	17.42
	Russell 2000 (Small Cap)	2.10	15.07	74.91	15.23	16.48
International Equities:	MSCI EAFE (Developed)	3.01	6.59	39.88	6.27	8.87
	MSCI Emerging Market	2.49	4.83	48.71	7.51	12.50
Fixed income:	Barclays Intermediate U.S. Gov't/Credit	0.50	-1.37	1.09	4.71	2.80
	Barclays Muni Short-Interm 1-10 Years	0.42	0.21	5.03	3.99	2.46
	Barclays Global Intermediate	1.21	-2.54	3.74	2.39	1.57

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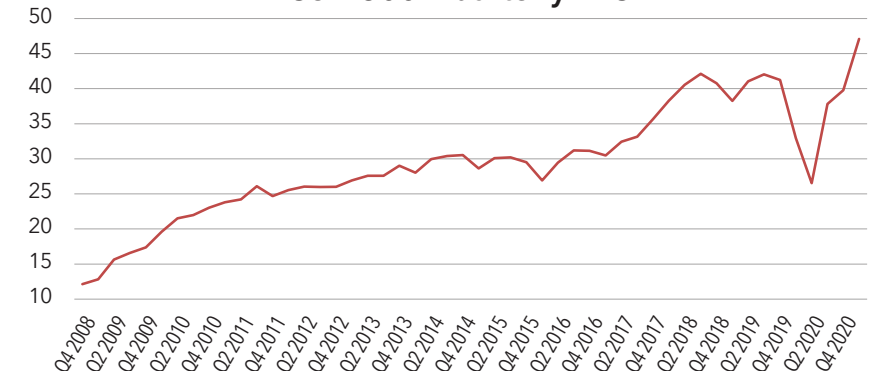


### Inflation Creeping Up, Along with Interest Rates

With the economy strengthening, we're starting to see supply shortages as demand picks up. Many commodity prices have increased substantially over the last year, including oil (up 148%), copper (up 94%), corn (up 124%) and lumber, which recently hit a new all-time high price, up 347% over the last year. This is leading to concerns about broader inflation. Inflation expectations have increased over the last few months and are now the highest since July 2008, before the financial crisis. This may be putting upward pressure on interest rates.

Higher rates would be a headwind for the economy, but the continued support from Congress and the Federal Reserve and the re-employment of those looking for work will more than offset higher rates. The unknown factor is whether this inflation in prices is transitory, as the Fed expects, or if it will be longer-lasting and push rates higher. We will continue to adjust portfolios accordingly.

### S&P 500 Quarterly EPS



Source: FactSet

## Commentary Team:

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## Sources:

Bloomberg, Morningstar, FactSet, Crandall Pierce

\*Benchmark consists of Russell 3000 (76%), MSCI ACWI ex US (20%) and FTSE EPRA/NAREIT Global (4%)

## Index Definitions:

**Barclays Global Intermediate:** This index that measures global investment grade debt from 24 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

**Barclays Intermediate US Government/Credit Index:** The index is a broad-based flagship benchmark that includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities, within a 2-10 year maturity range.

**Barclays Municipal Short-Intermediate 1-10 Years:** Index that measures the performance of US municipal bonds with time to maturity of between one and ten years.

**Bloomberg Commodity Spot Index:** the index measures the price movements of commodities in the Bloomberg Commodity Index and select subindexes. It does not account for the effects of rolling futures contracts or the costs associated with holding physical commodities and is quoted in US dollars (USD). The Bloomberg Commodity Index tracks prices of futures contracts on physical commodities on the commodity markets.

**FTSE EPRA/NAREIT Global:** an index used to track the performance of listed real estate companies and REITS in both developed and emerging markets.

**MSCI ACWI ex US:** an index that captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 2,136 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

**MSCI EAFE - Developed International:** created to reflect the performance of small- to large-cap stocks across the developed regions of Europe, Australasia, and the Far East (EAFE). The index was developed by Morgan Stanley Capital International (MSCI) in 1969 and lists 926 stocks from 21 countries in the EAFE.

**MSCI Emerging Market:** an index used to measure equity market performance in global emerging markets, consisting of 23 economies including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

**Russell Indices:** The Russell 3000 is a market-capitalization-weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S. traded stocks which represent about 98% of all U.S. incorporated equity securities. The Russell 2000 index measures the performance of approximately 2,000 of the smallest companies in the Russell 3000 index.

**S&P Indices:** The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. Other popular indices include the S&P MidCap 400, which represents the mid-cap range of companies and the S&P SmallCap 600, which represents small-cap companies. The S&P 1000 is a combination of the S&P 400 and 600, representing the small and mid-cap market. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 combine to create a U.S. all-capitalization index known as the S&P Composite 1500.

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