

# NOTES FROM THE TRADING DESK

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## MARKET MOVERS & SHAKERS

The tale of two markets has persisted since the previous edition of *Notes*. The Dow and S&P 500 have been slightly positive over the past two weeks — up 36 bps and 14 bps, respectively. On Friday, the two major indices each closed within half a percent of their all-time highs. Meanwhile, the Nasdaq has closed lower five of the last six weeks. The tech-heavy index closed last Friday down nearly 7.5% from its February all-time high. The Russell 2000 has been a major source of weakness since mid-March. The small-cap index is down nearly 6% through Friday's close since March 15<sup>th</sup>. Despite the sizable pullback of late, the Russell 2000 is still up nearly 12.5% year-to-date.

Interest rates remained largely in the spotlight as Federal Reserve Chairman Powell provided some policy updates on the 17<sup>th</sup> at the March FOMC meeting. Powell once again emphasized the Fed's desire to let the economy run hot. This is a clear break from the Federal Reserve's tradition of preemptive actions to stave off inflation and signals that we are entering uncharted territory. The Federal Reserve seems to be of the mind that any inflationary pressures would be transitory at best following the release of pent-up demand. As Powell stated, "you can only go out to dinner once per night." In other words, people may spend more aggressively at first as the pandemic hopefully continues to wind down, but eventually normalcy will return, and people's habits will stabilize as well. As an example, I am sure once travel restrictions are lifted to many destinations, travelers will flock in droves. Vacation spending may surge in the coming months — but (most) people cannot live on a permanent vacation. As such, that excessive travel spending will eventually subside, and inflationary pressures should subside with it.

Elsewhere, the blocking of the Suez Canal seemed to dominate last week's headlines. The 1,300-foot ship loaded down with 18,000 containers of cargo ran aground on Tuesday afternoon and has blocked the canal ever since. The shipping channel is responsible for 13% of global maritime trade, according to a recent *Wall Street Journal* article. The article goes on to estimate that rerouting ships around the southern tip of Africa would effectively reduce the world's shipping capacity by 6% due to

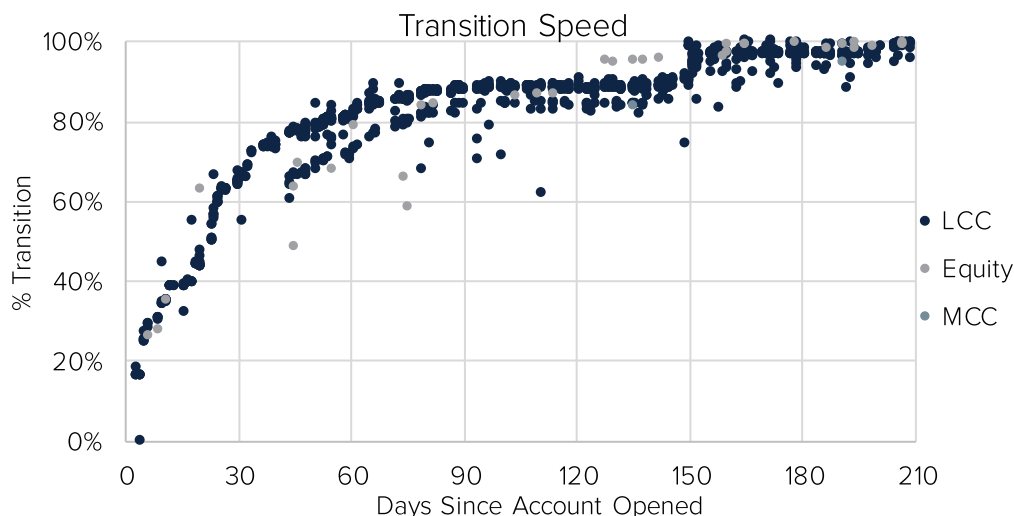
longer voyages. Similarly, a four-week stoppage in the Suez Canal could reduce nearly 13% of tanker capacity for crude and petroleum products. The longer the blockage lasts, the more the global supply chain will be disrupted, which could ultimately lead to higher prices. *The good news though, at the time of writing on Monday morning, the ship had been freed!*

In other trading news, the market witnessed major selling in a number of stocks on Friday. News broke over the weekend that Archegos Capital Management — managed by the Tiger cub Bill Hwang — sold around \$20 billion worth of stock across Chinese tech giants and U.S. media names. Names like Discovery, ViacomCBS, Tencent, and Baidu all saw massive trades cross the tape which created intense downward pressure on the various stocks that were being unwound. According to *The Financial Times*, Friday's fire sale knocked roughly \$33 billion of value off the companies involved. It remains to be seen whether or not the forced selling and margin calls have been completed given the amount of leverage that was being used in the portfolio. This just serves as one more reminder of the folly that can stem from leveraged investing.

## TRANSITION UPDATES & NEWS \*\*

No immediate news to report on the strategy level. However, the recent volatility within the marketplace has allowed us to take advantage of plenty of opportunities on the transition level. As seen below, most accounts that have been with us for roughly one month have nearly 65% of their strategy implemented. Accounts that have been with Tandem for 3-5 months are mostly around 90% invested in their respective strategies. However, the last 10% is taking a bit more time as we try to be more opportunistic with some of the more expensive names.

*\*\*The transition update describes activity taken by Tandem on the transition level, not the composite or firm-wide level. The transition update is applicable to new accounts and new money. New accounts and new money are not automatically invested on the first day. Rather, they are transitioned into our strategy over a longer time period that is dependent upon market conditions. This update describes that transition.*





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## KEY MARKET DATA

|                 | WTD    | MTD    | QTD    | YTD    |
|-----------------|--------|--------|--------|--------|
| Dow Jones       | 1.36%  | 6.92%  | 8.06%  | 8.06%  |
| S&P 500         | 1.57%  | 4.29%  | 5.82%  | 5.82%  |
| Nasdaq          | -0.58% | -0.41% | 1.94%  | 1.94%  |
| Russell Mid Cap | 0.15%  | 2.83%  | 8.10%  | 8.10%  |
| Russell 2000    | -2.89% | 0.93%  | 12.49% | 12.49% |

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|             | WTD    | MTD   | QTD    | YTD    |
|-------------|--------|-------|--------|--------|
| Comm. Svcs  | -1.88% | 1.77% | 6.43%  | 6.43%  |
| Con Disc    | -0.21% | 2.38% | 1.75%  | 1.75%  |
| Con Staples | 3.90%  | 8.35% | 1.05%  | 1.05%  |
| Energy      | 2.99%  | 5.83% | 33.21% | 33.21% |
| Financials  | 0.96%  | 6.81% | 16.65% | 16.65% |
| Health Care | 2.10%  | 4.13% | 3.13%  | 3.13%  |
| Industrials | 2.18%  | 8.76% | 10.93% | 10.93% |
| Info Tech   | 2.53%  | 1.62% | 1.71%  | 1.71%  |
| Materials   | 2.51%  | 8.55% | 9.84%  | 9.84%  |
| Utilities   | 2.82%  | 9.27% | 1.15%  | 1.15%  |
| REITs       | 4.27%  | 7.69% | 9.17%  | 9.17%  |