Condor Capital Reviews 1st Quarter 2021

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Further clarity into the ongoing economic revival aided domestic equity markets during the first quarter of 2021 with the S&P 500 Index rising 6.2%.

International equity markets rose during the first quarter despite vaccine rollout challenges in parts of Europe.

Fixed Income markets were guided by a rise in interest rates as investors began to price-in rising inflation expectations.

March 2021

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Coming off an unprecedented year in financial markets, domestic equities continued to move higher in the first quarter of 2021, with the S&P 500 Index rising 6.2% to finish at an all-time high. An improving labor market, a healthy rise in consumer spending, and a growing deployment of vaccines provided investors with greater clarity into the country's ongoing economic revival and guided domestic equities' quarterly performance. However, while the prior year's performance was mainly defined by a relative outperformance in technology and growth-related names, the energy, financial, and industrial sectors were the primary contributors during the quarter. The rotation into these sectors was reflective of a larger pattern of value-oriented sectors outperforming their growth-based counterparts, bucking the long-standing trend of growth's dominance. Additionally, the improving economic backdrop continued to support small-cap stocks, which are more sensitive to economic conditions but tend to fare better during recoveries. As such, small-caps led the way during the quarter, followed by mid-caps and then large-caps.

On the international front, both developed and emerging market equities recorded positive returns on the quarter but came in weaker than domestic equities. The MSCI EAFE Index, which tracks developed market equities, registered a quarterly gain of 3.6% despite new lockdown measures and vaccine deployment challenges afflicting many European countries. While a recovery is unfolding throughout these developed market nations, it has shown to be lukewarm, with corporate earnings estimates continuing to be revised down. On the flip side, emerging market nations have seen a strong and robust economic recovery, despite returning only 2.2% on the quarter, as defined by the MSCI Emerging Market Index. China continued to be at the forefront of the emerging market space, with economic activity returning to pre-pandemic levels and economic forecasts coming in stronger than expected.

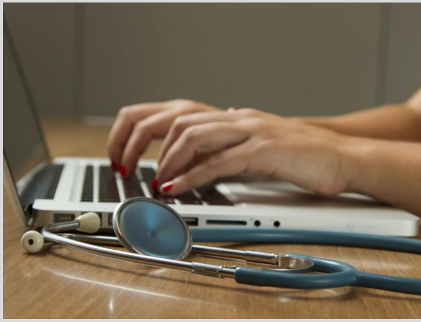
In the fixed income market, the predominant focus shifted from the Federal Reserve's ultra-accommodative policies to a sharp rise in long-term yields. The U.S. 10-year Treasury Note ended the quarter yielding 1.74%, up from the prior quarter's 0.91% yield, and marked the largest quarterly rise in more than four years. This sizable move in yields came as investors began to price in rising inflation expectations associated with the re-normalizing of the U.S. economy and prior fiscal stimulus aid. As inflation expectations increase, investors demand higher yields for holding Treasuries. Against this backdrop, fixed income returns were relatively flat to negative during the quarter with longer duration bonds among the worst-performing. Municipal bonds outperformed their corporate counterparts for the most part and higher-yielding bonds generally led the pack in both the corporate and municipal bond spaces.

Outlook – One year into the COVID-19 pandemic, society has slowly begun to turn the page, with investors grasping how the new "normal" may look. While the path of the virus and vaccine will likely remain a key driver of market behavior over the coming quarters, most economic barometers point to a U.S. economy that is in the midst of a healthy and durable recovery. The labor market continues to improve meaningfully. The headline unemployment rate fell to 6.2% during the quarter – a material decline from the roughly 15% rate seen at the outset of the pandemic. U.S. gross domestic product (GDP) continues to be revised upward. U.S. GDP is expected to rise 5.6% in 2021 on the back of a roughly 12% jump forecasted for the second quarter of this year. Household balance sheets remain strong with the unprecedented fiscal and monetary levers further aiding household net worth. In aggregate, these improving economic fundamentals have helped support the market's continual grind higher over the prior quarters.

Looking ahead, we at Condor remain cautiously optimistic on the state of financial markets. We continue to see a post-pandemic economic recovery unfolding supported by a robust economic expansion and elevated consumer spending. As we move into the back half of the second quarter, we expect vaccinations to be readily available to much of the U.S. population. At first quarter's end, around 20% of the U.S. population had been vaccinated, with end of second quarter estimates sitting around 60%. If this holds true, and reduced economic restrictions follow, consumer spending – which accounts for roughly 70% of U.S. economic activity – could be supportive of a move higher in markets. That said, the impact that pent-up consumer spending will have on inflation is going to be one of the main focal points for the market over the near-term. While some investors are expecting a sharp rise in inflation, we expect a modest, though temporary, rise guided by higher-end goods and services. Given that we expect a majority of inflation to come from the higher end rather than housing and food, we don't see enough inflationary pressure for the Federal Reserve to raise interest rates. In fact, we believe that rates will arrive at an average over the medium- to long-term.

As we begin to turn the page on this unforeseeable pandemic, we want to remind our clients about the importance of staying invested – through a targeted and diversified approach – during times of market volatility. The market movements at the onset of the pandemic were an unfortunate reminder that equities can be volatile in the short term. However, making knee-jerk decisions to sell out of the market or time the market can often backfire when equities start to move higher. Thus, while the market's initial drawdown may have been uncomfortable, by staying invested and focusing on your long-term objectives, your portfolio would have been aided by the broader market's recovery. As a result, we continue to advise against basing asset allocation decisions on short-term moves and trends, but rather advocate for staying the course with a comprehensive, diversified portfolio based on your long-term goals and needs.

See disclaimer on final page



If your medical bills start to pile up faster than you can pay them, don't wait for a crisis to occur before doing something about it.

The material for this article has been prepared by Broadridge Advisor Solutions.

Coping with Medical Bills

A single procedure or trip to the hospital can fill your mailbox with stacks of bills. These can come from hospitals, doctors, pharmacies, emergency rooms, labs, and many others. The stress involved with handling all of this paperwork can be almost as overwhelming as the illness or injury itself. If your medical bills start to pile up faster than you can pay them, don't wait for a crisis to occur before doing something about it.

Get organized

Don't throw anything away. Keep all receipts, insurance forms, bills, and anything else that relates to your medical care. Organize your bills so you can keep track of them. One way is to make a file for each provider. Inside each file, organize the bills by date of service. If you don't receive itemized bills, request them. Go over each bill when you receive it because errors are common. A simple mistake, such as the wrong computer code, can cause you much grief. Here are some things to check:

- Is your personal and insurance information correct?
- Were you charged twice for the same service?
- Were you charged for something you refused or did not receive?
- Is there anything that seems unreasonably high or questionable?

Don't ignore the explanation of benefits form

This form comes from your insurance company. It shows the medical service provided, date provided, how much your plan will pay, and how much you will have to pay yourself. If you don't understand what you owe and why, call your insurance company or agent.

What if you think there's a mistake?

Medical bills and the billing process can be complicated. If you think your doctor or hospital has made an error, here's what you should do:

- Contact the appropriate billing office. Give it a reasonable amount of time to correct a mistake.
- Don't refuse to pay a bill because you think it should have been paid by your insurance company. Most likely, any agreement you made with a hospital or doctor holds you responsible for payment, even if your insurance company doesn't pay.
- Contact your insurance company to review the claim. Explain why you think the company's wrong. If the company needs to do something, find out when it will get done. If you have to do something, make sure you understand exactly what and when it must be done. Get the full name of the person you spoke to, and send a letter confirming your conversation.
- Request a written explanation of denial if you're still unsatisfied. To save your credit rating, pay the bill yourself, or negotiate a payment arrangement with the medical provider. Then use the insurance company's appeal process as soon as possible to collect your money.

Suppose you just can't pay

If you're having financial problems and can't pay your medical bills, it's better to work directly with your medical provider. Contact the provider before it contacts you. Perhaps you can work out a payment plan.

Try to keep the bill from being turned over to a collections agency. You don't want to damage your credit report. If the bill does go to a collections agency, understand that the agency is not interested in hearing that the insurance company made a mistake. Don't expect the collections agency to call your insurance company. And don't expect your insurance company to call the collections agency. If your claim is denied, you will have to keep working with your insurance company until it's settled. In the meantime, write to the collections agency and explain the situation.

Collections agencies get paid only for what they collect. And they can get very aggressive for their clients. However, they must abide by laws that prohibit harassment and unfair practices. For example, if you tell a collections agency that you don't want to be contacted at work, it must stop calling you there. You can try to negotiate with the collections agency. You might be able to work out a long-term payment plan. See if that will stop the agency from reporting negative information about you to the credit bureaus.

In the meantime, don't let your health insurance coverage lapse. You may have recovered from your illness or injury and think you would be better off using those premium dollars to pay your medical bills. But if something were to happen again, your financial problems will only get worse. Furthermore, if you drop your current insurance and apply later for a new policy, your recent illness could be considered a pre-existing condition, which would prevent you from getting coverage.

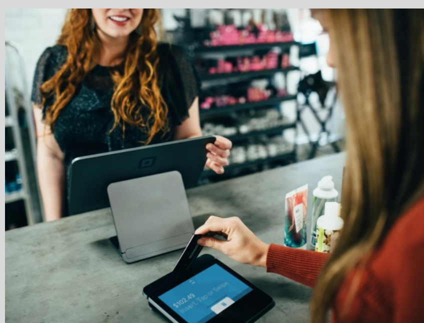
Look for other ways to save on your health insurance premiums. Talk to your insurance agent about increasing your deductible or co-payments. Do you have a child in college? See if the college has a low-cost health insurance plan that would enable you to take your child off your plan.

Finally, do you have any secondary insurance coverage? A secondary plan might pay medical bills not covered by your primary plan. Your spouse's group plan may give you some benefits. Or if Medicare is your primary insurance, you may have a secondary policy through a retirement plan, another group plan, or an individual plan.

What to do next time

After all of your medical bills are paid, think about what you can do differently to keep from getting overwhelmed again.

- Understand your health insurance policy's rules and benefits
- Keep a record of where you received medical care and who gave it to you
- Keep a date chart of hospitalizations, lab tests, X rays, treatments, medications, and doctor's visits
- If you ask for incidentals, like a toothbrush, slippers, or cot for a family member, understand that you will pay for them
- If you don't know why a procedure or test is being done, ask



Be careful not to fall victim to common pitfalls associated with credit.

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Credit Traps for the Unwary

It's hard to imagine functioning in today's society without access to credit. However, you need to be careful not to fall victim to some of the pitfalls associated with it.

Revolving credit can make it hard for you to pay off debt

Credit cards allow you to spend money you don't currently have, and to repay what you've spent over time instead of all at once. When you use a card, the balance you owe increases, and your remaining available credit decreases. As you make your payments to reduce your outstanding balance, your available credit once again increases. Thus, your credit revolves around for you to use again.

Since you can spend more than you currently have, you can easily spend more than you can afford. As your balance increases, your minimum monthly payments also increase, and soon you'll find yourself in over your head – especially if interest rates and a variety of fees are high.

Interest and fees can add to the cost

Credit card debt generally carries a high interest rate. Your minimum monthly payment – a percentage (often as low as 2 to 4 percent) of the total balance due – may cover little more than the monthly interest charge. Consequently, your minimum payment may only minimally decrease what you already owe. If possible, increase your monthly payment above the minimum required. The higher you can make the payment, the faster you will pay off the debt.

When opening a new account, always check to see how the finance charge is calculated. Here are some of the methods used:

- Adjusted balance method: Balance due at the beginning of the billing cycle less any payments made during the cycle; excludes new purchases made during the cycle
- Previous balance method: Balance due at the beginning of the billing cycle
- Average daily balance method: Total of the balances due each day in the billing cycle divided by the number of days in the cycle; payments made are subtracted as posted to determine daily balances; new purchases may or may not be added in

The amount of your finance charge can vary widely from method to method.

In an effort to attract your business, many lenders offer very low introductory rates – 3.9 percent annually or less. However, these rates generally last no more than three to six months and increase to the current market rate thereafter. Moreover, the introductory rates may apply only to balances you transfer from other cards. They may not apply to new purchases and rarely if ever to cash advances. Finally, if your monthly payment is late, the interest rate may be raised to the current market rate – and sometimes beyond.

A credit card issuer may increase the interest rate you're charged under specific circumstances. These circumstances are (1) the index on which the rate is based changes, (2) it is a promotional rate that has expired, (3) you have failed to comply with a hardship workout plan, or (4) your account falls 60 days past due. If your rate is increased because the account falls 60 days past due, you must be informed that the rate increase will be terminated (and the rate restored to what it was before the increase) once you have made timely minimum payments for six months. However, in this case, it's doubtful the rate would be restored to the original low introductory rate.

If you have two different interest rates on one account (e.g., a lower rate for purchases, a higher one for cash advances), the creditor will post the minimum payment toward the lower interest rate balance, not the higher. However, a credit card company must apply any payment over the minimum payment due toward the portion of an existing balance with the highest interest rate.

You may also incur a wide variety of fees. Creditors may charge you an annual fee to maintain the account. These fees can range from $25 to $50 or more each year. They may also charge fees to transfer balances from other cards. Generally, these processing fees equal 2 to 4 percent of the amount you transfer. Many banks levy a similar surcharge on transactions involving conversions from foreign currencies. If you're late with your monthly payment, you may be charged a late payment fee that can be as much as $39 each month you're overdue. If you authorize the creditor to complete a transaction that sends your balance over your approved credit limit, you will be assessed an overlimit fee.

When these fees add up, you may find that making your minimum monthly payment won't bring your balances down. In fact, your balance will increase if your monthly payment isn't greater than the accumulated interest and fees due, since these unpaid charges become a part of the principal you owe. Moreover, your account may then be considered past due and reported as such to the credit bureaus.

If you surf your debt, beware the wake

You may periodically transfer your balance from one introductory offer to the next. This is known as surfing. Done successfully, surfing lets you avoid the higher interest charges that your debt would incur when the original card offer expires. By the time the interest rate on the original card increases, you've surfed over to a new offer at another low rate.

Although surfing helps keep your interest charges to a minimum, it's not without pitfalls. You may be offered a low rate only on balance transfers; if new purchases and cash advances are billed at a higher interest rate, these charges could offset the savings you would otherwise enjoy. Moreover, as creditors move to counteract the surfing trend, many stipulate that if you transfer balances to another card within a certain time after opening your account, you'll be retroactively charged a higher rate of interest on the amount you transfer. Thus, surfing before this time period is up

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eliminates the savings.

Finally, if you transfer balances to a new card, close the original account as soon as you've paid it off. Write the creditor a letter (keep a copy for your records) asking it to inform the credit bureaus that the account was closed at your request. This prevents new potential creditors from denying you credit when they see too many open lines of credit, and it also deters anyone else from fraudulently using an inactive account.

Protect yourself against credit fraud and identity theft

Credit fraud (the illegal use of your accounts) and identity theft (opening new credit using information about you) are two of the fastest-growing crimes today. In many cases, you may not know you've been victimized until it's too late. Here are some indicators of these crimes:

- A creditor informs you that it received an application in your name
- You've been approved for or denied credit you didn't apply for
- You no longer get your credit card statements in the mail
- Your credit card statements include purchases or cash advances you never made

To minimize the chances of being victimized, take precautions to safeguard your credit account information. Don't carry credit cards you don't use often. Be sure to sign your cards, and never sign a blank charge slip. When you use the card, try to keep it within your sight. Save your receipts, and obtain and destroy any carbons. Don't allow a sales clerk to write your credit card number on a check "for identification." Finally, never give out your account number over the telephone unless you initiated the call and know the organization to be reputable.

Debt Consolidation

If you have a lot of debt, you're not alone. Today, more and more Americans are burdened with credit card and loan payments. So whether you are trying to improve your money management, having difficulty making ends meet, want to lower your monthly loan payments, or just can't seem to keep up with all of your credit card bills, you may be looking for a way to make debt repayment easier. Debt consolidation may be the answer.

What is debt consolidation?

Debt consolidation is when you roll all of your smaller individual loans into one large loan, usually with a longer term and a lower interest rate. This allows you to write one check for a loan payment instead of many, while lowering your total monthly payments.

How do you consolidate your debts?

There are many ways to consolidate your debts. One way is to transfer them to a credit card with a lower interest rate. Most credit card companies allow you to transfer balances by providing them with information, such as the issuing bank, account number, and approximate balance. Or, your credit card company may send you convenience checks that you can use to pay off your old balances. Keep in mind, however, that there is usually a fee for this type of transaction, and the lower rate may last only for a certain period of time (e.g., six months).

Another option is to obtain a home equity loan. Most banks and mortgage companies offer home equity loans. You'll need to fill out an application and demonstrate to the lender that you'll be able to make regular monthly payments. Your home will then be appraised to determine the amount of your equity. Typically, you can borrow an amount equal to 80 percent of the value of the equity in your home. Interest rates and terms for home equity loans vary, so you should shop around and compare lenders.

Some lenders offer loans specifically designed for debt consolidation. Again, you'll need to fill out an application and demonstrate to the lender that you'll be able to make regular monthly payments. Keep in mind, however, that these loans usually come with higher interest rates than home equity loans and, depending on the amount you borrow, may require collateral on the loan (e.g., your car or bank account).

Advantages of debt consolidation

- The monthly payment on a consolidation loan is usually substantially lower than the combined payments of smaller loans
- Consolidation loans usually offer lower interest rates
- Consolidation makes bill paying easier since you have only one monthly payment, instead of many

Disadvantages of debt consolidation

- If you use a home equity loan to consolidate your debts, the loan is secured by a lien on your home. As a result, the lender can foreclose on your home if you default on the loan.
- If the term of your consolidation loan is longer than the terms of your smaller existing loans, you may end up paying more total interest even if the rate is lower. So you won't actually be saving any money over time, even though your monthly payments will be less.
- If you use a longer-term loan to consolidate your debts, it will take you longer to pay off your debt.

Should you consolidate your debts?

For debt consolidation to be worthwhile, the monthly payment on your consolidation loan should be less than the sum of the monthly payments on your individual loans. If this isn't the case, consolidation may not be your best option. Moreover, the interest rate on your consolidation loan should be lower than the average of the interest rates on your individual loans. This allows you not only to save money but also to lower your monthly payment.