

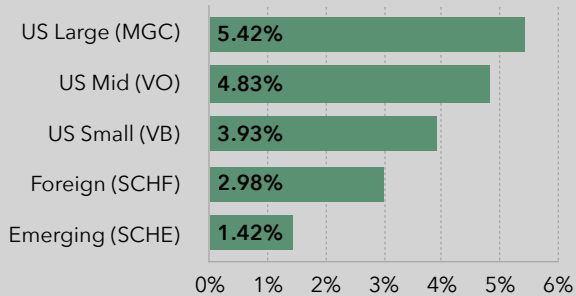
## April 2021

### Economic Data

- The number of US workers on payroll only rose 266,000 in April, dramatically below economist expectations of 1 million
- Retail sales were up 9.8% for the month of March with gains seen across all categories
- Y/y inflation (CPI) remained at 2.6% in March, with Energy and Used Car prices up substantially
- Existing home sales fell 3.7% in March, with a median home price of \$329,100—17.2% higher than a year ago

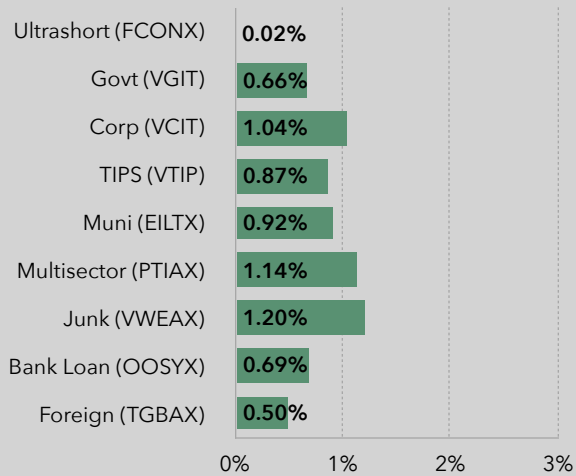
### Stocks

#### April Returns



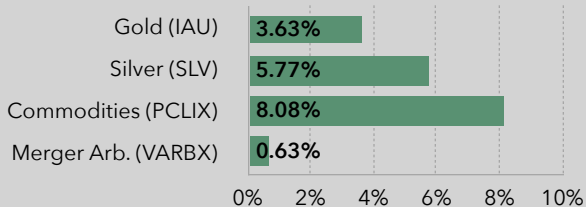
### Bonds

#### April Returns



### Alternatives

#### April Returns



Performance data provided by Morningstar.

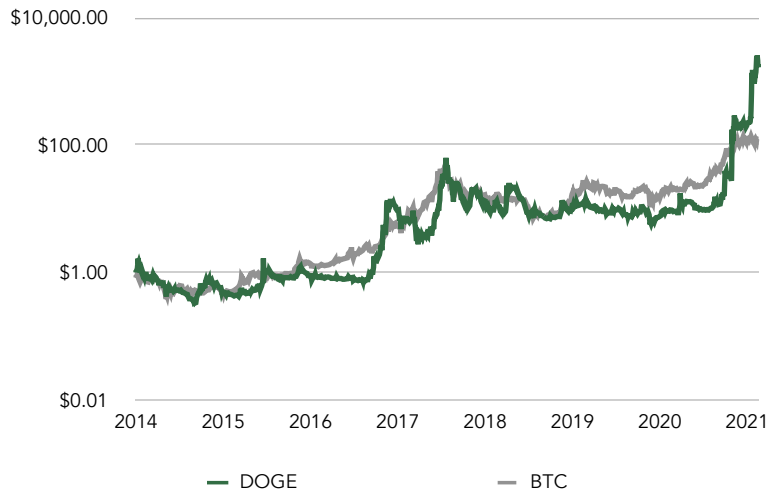
The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and is not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

### Dog Money

Many people are captivated by the meteoric rise of bitcoin, the decentralized crypto-currency. Others have been critical of the rampant speculation on something that has no tangible value. One such critic was Billy Markus, aka Shibetoshi Nakamoto. Back in 2013, him and a partner spent about three hours developing the code for dogecoin, which was based on a popular meme at the time and meant to be a joke and a sort of commentary on how ridiculous the crypto market had become.

For the first three years or so of its existence, it didn't really do much—a dollar invested in the beginning was still worth more or less about a dollar—and seemed destined to fade away. Markus was more than happy to cash in his dogecoin for a used Honda Civic. Not a bad outcome for a joke that took three hours to write. Fast forward to today, and a dollar invested at the outset is now worth about \$1,880. Meanwhile, a dollar invested in bitcoin over the same time is only worth about \$124. How quaint. The joke has outperformed the thing it was making fun of by 15x.

#### Value of \$1 Invested Over Time



What are we to make of this? I don't know. Even if cryptos are here to stay—and I believe at least some of them are—these sort of parabolic charts are almost always indicative of a bubble. Add it to the pile of ridiculousness that also includes meme stocks, NFTs, penny stock volume, a \$2 billion New Jersey deli, SPAC mania, the Archegos blowup, and a pair of Kanye West's Yeezy shoes selling for \$1.8 million. Somehow I doubt in the future we will look back on all these things and think how rational it all was.

### 'Transitory' Inflation

If you take a look at the Bureau of Labor Statistics's (BLS) Consumer Price Index (CPI), you will note that inflation has been running at 2.6% year-over-year through March. A little on the higher side of the subdued range we have become accustomed to over the past decade or so, but certainly not a number indicative of runaway inflation.

Meanwhile, the PIMCO CommoditiesPlus Fund (PCLIX) we invest in posted a strong return in April, up 8.08% during the month. It is now up 118.55% since bottoming on April 21 of last year, more than doubling the return of the S&P 500 over that time period. The positive returns have been driven by a resurgence in energy prices, as well as in other components such as copper, iron ore, and corn. Pretty much every commodity, save maybe cocoa (fine by me, as I am eating a delicious bit of dark chocolate with sea salt as I type this), have all seen similar price increases over the last year.

There seems to be a disconnect there. Lumber prices, for example, are up 367% over the past year. Median existing home prices are up 17.2% over the past year. Shelter costs—according to the BLS—however, are only up 1.7%. If these rises in input costs do indeed turn out to be transitory, as the Fed would have us believe, then we do not have much to worry about. If, however, they are more permanent, expect much higher prices for just about everything.

Ryan P. Layton, CFA  
 p: 612-810-2230  
 e: [ryan@emeraldspark.com](mailto:ryan@emeraldspark.com)

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
<b>Fixed Income</b>					
Duration	●				
Inflation				●	
Credit	●				
Foreign				●	
<b>Equities</b>					
Large Cap	●				
Mid Cap		●			
Small Cap	●				
Developed Intl.		●			
Emerging			●		
<b>Alternatives</b>					
Commodities					●
Hedging					●

## Binge Box

### The Goldbergs (Hulu)

Sometimes you just want to watch a scripted situational comedy about a family that makes you think yours wasn't all that weird. And sometimes you want to watch a documentary on the decade in which you grew up to remember fondly what an amazing time it was. Well, with the *Goldbergs* you get both. Written by Adam F. Goldberg, the show is largely based on his real-life childhood growing up in the 80's, and each episode also seems to focus on one or two things that were popular in that decade. It is packed with nostalgia that I don't seem to tire of despite its overuse lately (see: *Stranger Things*, *Cobra Kai*, *Red Oaks*, *Halt and Catch Fire*, *Glow*, etc.). With eight seasons and counting, there are plenty of episodes to binge.

## About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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