



The Month in Review

February Takeaways

- *The love/hate relationship for equities continued in the month just passed.* Small caps continue to receive Valentines from investors, while they “cooled” their passion for larger companies and technology issues. As noted previously in this space, large companies looked fairly priced coming into 2021 according to our [Relative Value chart](#). After the recent sell-off, they are back to a bit of a bargain.
- *Bond yields and inflation are back in the headlines.* While the pandemic has not exactly gone away, continued progress on the vaccination front might start investors questioning the need for ongoing lockdowns and re-focusing on whether or not continued stimulus/relief/deficit spending is really a great idea.
- *While the Fed remains committed to the status quo, February saw the return of the fabled “Bond Vigilantes”.* For those not familiar with the term, it originated in the early 1980s by Dr. Edward Yardeni and referenced bond traders who would move against what they saw as unwise decisions by the Federal Reserve. As a group, they would move into the bond markets and drive interest rates higher if they thought inflation was a danger.
- *Many in the investment community think this is what might have accounted for interest rates spiking last month.* I hope that this was only a warning shot across the bow and not the start of a lasting spike in rates. Rising interest rates create competition for equity investors, a situation not seriously witnessed in a long time. Still, it bears careful monitoring. It may be time for government to take a step back and let the free market continue to fix the damage we inflicted on ourselves over the past twelve months. It has worked before!
- *There is plenty of evidence that the economy is on the mend.* While pockets of weakness remain, we are seeing continued progress in GDP growth (stronger for now), personal income (up although influenced by government payments) and equities remain in positive territory. All good news of sorts unless you are a stagehand on Broadway or some other service worker unable to return to work. Let us all hope that changes soon.
- *We continue to look at a “mixed bag” of data moving into March.* I should probably close this note with a nod to the NCAA, where March Madness will return pretty much on time. Investors will no doubt experience their own version of this storied sports classic. Who will win in the end, bonds or stocks? I am going with equities.

Opinions expressed are as of the current date and subject to change without notice. Intrinsic Investors, LLC shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses or opinions contained herein or their use, which do not constitute investment advice, are provided as of the date written, are provided solely for informational purposes and therefore are not an offer to buy or sell a security. This commentary is for informational purposes only and has not been tailored to suit any individual. References to specific securities or investment options should not be considered an offer to purchase or sell that specific investment.

This commentary contains certain forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.

Investments in securities are subject to investment risk, including possible loss of principal. Prices of securities may fluctuate from time to time and may even become valueless. Any securities mentioned in this commentary are not FDIC-insured, may lose value, and are not guaranteed by a bank or other financial institution. Before making any investment decision, investors should read and consider all the relevant investment product information. Investors should seriously consider if the investment is suitable for them by referencing their own financial position, investment objectives, and risk profile before making any investment decision. There can be no assurance that any financial strategy will be successful.