



**Matthew Rubin**  
Managing Partner,  
Chief Investment Officer  
mrubin@matrixpcg.com



**Ing-Chea Ang**  
Director, Quantitative  
Research & Investments  
iang@matrixpcg.com

**New York (HQ)**  
400 Park Avenue 6th Floor  
New York, NY 10022

**Chicago**  
311 W. Monroe Street, Suite 304  
Chicago, IL 60606

**Palm Beach**  
101 Northpoint Parkway West  
Palm Beach, FL 33407

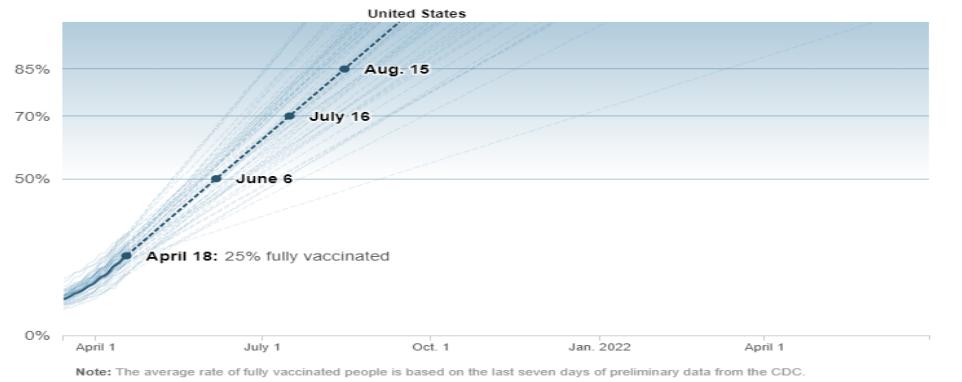
**Los Angeles**  
10250 Constellation Blvd  
Los Angeles, CA 90067

212.254.4876  
info@matrixpcg.com  
matrixpcg.com

## THEMATIC OUTLOOK - APRIL 2021

We are positioning for broad recoveries in the U.S. and global economies as the world transitions to a post-Covid reality. The developed world (led by the U.S. and U.K.) is edging towards herd immunity and we believe industries that suffered most over the past year can benefit significantly. Additionally, ultra-accommodative monetary policies and fiscal stimulus in the U.S. will likely benefit industries disproportionately, creating winners and losers. As such, some areas we like are tied to 'main street' recovery such as homebuilders, 'brick-and-mortar' retailers, banks, and transportation.

### Display 1: CDC Projects Herd Immunity by Fall



Source: Center for Disease Control and Prevention

## Homebuilders

Residential home demand is currently far exceeding supply this year. According to Freddie Mac, there is a shortage in excess of 3.8 million homes, representing a 52% rise above 2018 levels. This deficit is driven both by a dearth of construction over the past decade, in addition to a surge in demand from upgrades and first-time buyers. Correspondingly, we have seen building permits hit the highest levels since 2006, outpacing new construction for eight consecutive months. Our positive outlook is reinforced by the most recent read of the NAHB index, a gauge of homebuilder sentiment, which rose to a reading of 83 in April from 82 in March. Homebuilders are optimistic that revenues will be more than enough to offset rising materials costs, especially lumber.

### Display 2: Housing Inventory is Tight as a Result of Supply-Demand Dynamics



Source: National Association of Realtors

## 'Brick-and-Mortar' Retailers

The American consumer is the main driver of the U.S. economy and makes up more than 70% of GDP. Unlike many previous recessions, the U.S. consumer has actually improved its balance sheets during the pandemic by increasing savings over the past year (Display 3). Strong balance sheets imply that businesses, especially those with store-fronts that were materially hurt, might see a strong rebound this year as consumers release pent-up demand. In addition, we believe the most recent round of fiscal stimulus checks will gradually flow back into the real economy through more spending. The combination of tailwinds can benefit a broad host of industries including apparel, automotive, computer and electronics, and department stores, many of which have seen trough earnings and valuations during the pandemic.

**Display 3: American Savings Rate Ballooned During Pandemic**



Source: U.S. Bureau of Economic Analysis

### New York (HQ)

400 Park Avenue 6th Floor  
New York, NY 10022

### Chicago

311 W. Monroe Street, Suite 304  
Chicago, IL 60606

### Palm Beach

101 Northpoint Parkway West  
Palm Beach, FL 33407

### Los Angeles

10250 Constellation Blvd  
Los Angeles, CA 90067

212.254.4876

info@matrixpcg.com  
matrixpcg.com

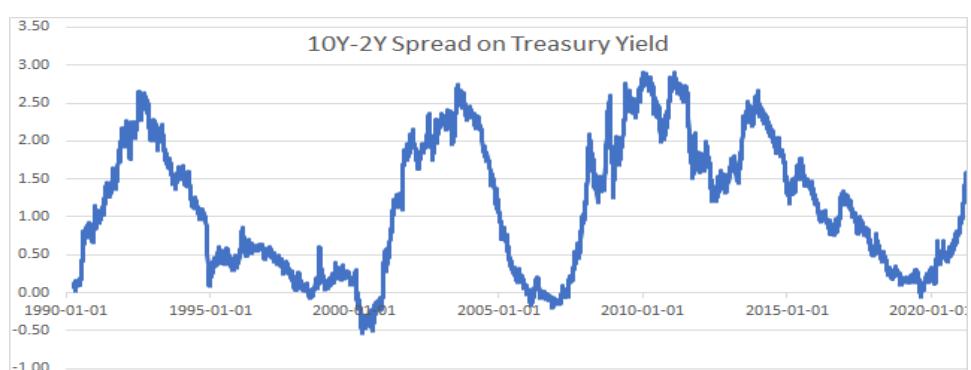


**MATRIX**  
PRIVATE CAPITAL GROUP

## Banking and Financials

Despite signs of strong economic recovery, the Fed has been adamant about keeping short-term interest rates in check, partly to bring unemployment rates down. The result is a steepening yield curve that greatly benefits lenders such as banks, as they continue borrowing inexpensively but can charge higher interest rates on loans, which have also increased on the back of a credit cycle recovery. Secondly, the strength in consumer balance sheets have resulted in lower-than-expected defaults, positively impacting bottom-lines. Finally, other areas to be optimistic about include divisions such as asset and wealth management which can see strong profits from fee-based businesses as capital flows and market performance add to asset bases.

**Display 4: Steep Yield Curves Historically Benefited Banks**



Source: Federal Reserve Bank of St. Louis

## Transportation

The pent-up demand for travel is quite evident with bookings and flight traffic across the U.S. picking up materially. The TSA has reported that we are now back to approximately 1.1 million travelers daily in March 2021, materially above the 700 thousand at the end of last year. As significant as that may seem, we are still far below pre-pandemic levels, which is in excess of 2 million travelers a day (Display 5). A similar trend can be seen in freight transportation where goods orders and shipments now exceed pre-pandemic demand. It is our expectation that transportation costs will increase due to smaller fleets not adding capacity and spot rates continuing to rise.

### Display 5: Air Traffic Rebounding and has a Long Runway



#### New York (HQ)

400 Park Avenue 6th Floor  
New York, NY 10022

#### Chicago

311 W. Monroe Street, Suite 304  
Chicago, IL 60606

#### Palm Beach

101 Northpoint Parkway West  
Palm Beach, FL 33407

#### Los Angeles

10250 Constellation Blvd  
Los Angeles, CA 90067

212.254.4876

info@matrixpcg.com  
matrixpcg.com



**MATRIX**  
PRIVATE CAPITAL GROUP

#### Disclosures:

Certain information provided herein is based on third-party sources, which information, although believed to be accurate, has not been independently verified. Matrix Private Capital Group assumes no liability for errors and omissions in the information contained herein. This report is for informational purposes only and may not be reproduced or distributed without the prior consent of Matrix Private Capital Group. This material is not financial advice or an offer to sell any product. The opinions referenced are as of the date of publication and are subject to change without notice. Past performance is no guarantee of future results. Investments involve risk, including loss of principal.

The S&P 500 is a market-capitalization weighted index that includes the 500 most widely held companies chosen with respect to market size, liquidity, and industry.

This letter contains certain forward-looking statements, opinions and projections that are based on the assumptions and judgments of Matrix Private Capital Group with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of Matrix Private Capital Group. Other events which were not considered in formulating such projections, targets or estimates may occur and may significantly affect the returns or performance of any client portfolio managed by Matrix Private Capital Group. Because of the significant uncertainties inherent in these assumptions and judgments, you should not place undue reliance on these forward-looking statements, nor should you regard the inclusion of these statements as a representation by Matrix Private Capital Group that any client portfolio will achieve any certain strategy, objectives or other plans. For the avoidance of doubt, any such forward-looking statements, opinions, assumptions and/or judgments made by Matrix Private Capital Group may not prove to be accurate or correct.

Matrix Private Capital Group is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Matrix Private Capital Group including its advisory services and fee schedule can be found in Form ADV Part 2 which is available upon request.