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ROBINSON·TIGUE·SPONCIL

PRIVATE WEALTH MANAGEMENT

(2nd Quarter, 2021)

A year later, the economy has emerged from widespread lockdowns and is now growing faster than many have seen in their lifetimes. The accelerating distribution of COVID-19 vaccines, coupled with an easing of restrictions are speeding the recovery as well as driving faster consumer spending. The rise in private savings, low interest rates, and several government support programs are providing fuel for future economic growth. The U.S. economic recovery appears to be on its most robust two-year pace since 1965-1966.

Demand is outstripping supply in many areas of the economy and in several industries. In addition, the dollar has weakened, and because of supply bottlenecks and materials shortages, we have witnessed rising prices in items like lumber, computer chips, cars, airfares, hotels, and houses. This friction is leading both inflation and growth rates to recover to pre-pandemic levels or higher.

The Consumer Price Index (CPI) was released earlier this month, reflecting an increase of 4.2%. This was the biggest year-over-year increase since 2008. Concurrently, the May Jobs Report was significantly below its target of 1 million jobs and came in at 266,000. Although job growth has been below expectations, productivity gains should help bring GDP back above pre-pandemic levels.

The Federal Reserve has consistently referred to U.S. inflation as transitory, or temporary. The Fed continues to communicate its intention is to keep short-term rates near zero until the recovery is complete and substantial further progress with employment is achieved. At some point, we expect the central bank to foreshadow its intent to taper its asset purchases and reduce the size of its balance sheet. Still, the Fed does not intend to hike the Fed Funds rate until 2023.

Fiscal policies, in terms of both spending and taxes, may have a meaningful impact on the continued economic recovery. We are uncertain about the level of potential infrastructure or other stimulus packages and how the government plans to pay for the additional expenditures. Hopefully there can be collaborative compromise in regards to potential tax increases.

Future job gains, along with a growing number of people getting the vaccine, may be drivers for additional economic growth. Preparations for schools to reopen full time and anticipated easing of supply chains are also positives.

The stock market does not go up in a straight line, even while in the midst of a bull market like the one we are currently experiencing. There is always a chance for pullbacks and corrections. Furthermore, overall strong market trends can make for wide market divergences, so we continue to focus on diversification, with a steadfast discipline of valuation.

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David & Keith