



May 2021

Market Update

(all values as of
04.30.2021)

Stock Indices:

Dow Jones	33,874
S&P 500	4,181
Nasdaq	13,962

Bond Sector Yields:

2 Yr Treasury	0.16%
10 Yr Treasury	1.65%
10 Yr Municipal	0.98%
High Yield	4.20%

YTD Market Returns:

Dow Jones	10.68%
S&P 500	11.32%
Nasdaq	8.34%
MSCI-EAFE	5.63%
MSCI-Europe	7.77%
MSCI-Pacific	2.03%
MSCI-Emg Mkt	4.36%

US Agg Bond	-2.61%
US Corp Bond	-3.59%
US Gov't Bond	-3.44%

Commodity Prices:

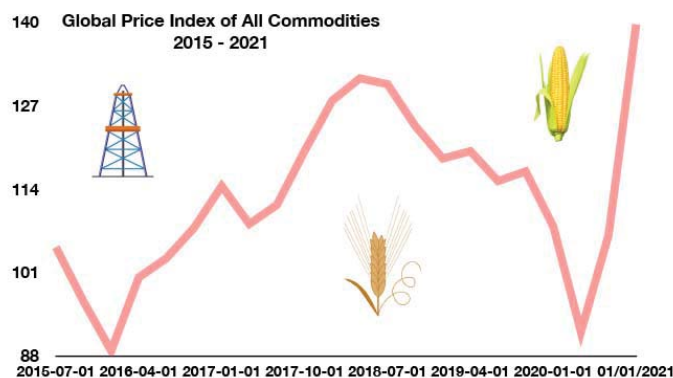
Gold	1,767
Silver	25.90
Oil (WTI)	63.52

Currencies:

Dollar / Euro	1.21
Dollar / Pound	1.39
Yen / Dollar	108.83
Dollar / Canadian	0.81

Macro Overview

Inflationary pressures have taken hold throughout the economy, as raw materials required for most every consumer product from bread to automobiles have increased in cost due to short supply and growing demand. Commodities such as wheat, copper, corn, lumber and steel are essential for the production and manufacture of consumer products, whose rising costs are being passed along to consumers in the form of higher prices.



Markets reacted to proposals aimed at raising capital gains taxes as well as widening the reach of estate taxes. Small business owners are also expected to be affected. Some analysts believe that markets will tolerate a tax increase without any significant repercussions.

The proposed tax hikes by the administration are primarily targeted at those earning \$400,000 and by raising the top rate on ordinary income from 37% to 39.6%. Capital gains would be taxed as ordinary income for taxpayers earning more than \$1 million. Wealth transfer is expected to become more costly as estate taxes and exclusions on home appreciation are also a focus.

The Commerce Department reported that the U.S. economy grew at an annual rate of 6.4% in the first quarter. Concurrently, the Federal Reserve commented that the economy is heading into a period of faster growth and job creation, yet still remains vulnerable to a spike in COVID variant cases should it occur. Companies continue to struggle in finding workers for posted positions with nearly 7.5 million jobs unfilled. Economists believe that some workers have been deterred by generous state and federally funded unemployment benefits.

Projections by the International Monetary Fund (IMF) place global growth at an annualized rate of 6% this year, as pent-up demand drives growth globally. The IMF also emphasized the risk of virus mutations outpacing vaccinations allowing the virus to become resistant to the vaccines being used.

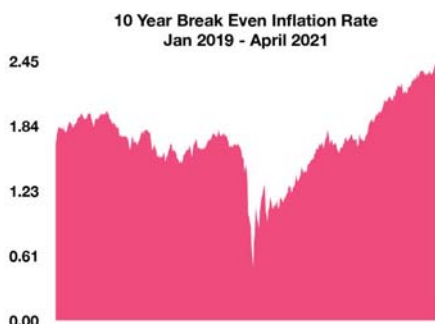
Census data released by the Census Bureau for 2020 revealed a U.S. population growth of 7.4% since the last Census in 2010, with a total of 331,449,281 U.S. residents as of April 1, 2020. The Census results also shifted state representation in the House of Representatives with states such as California and New York losing seats while Texas and Florida gained seats.

Sources: Federal Reserve, Commerce Dept., U.S. Census, Tax Policy Center



Inflation Acknowledged By Bond Markets – Fixed Income Update

Rates stabilized in April recoiling from their ascent from the prior few weeks. Government bond yields as well as mortgage yields mildly dropped as the Fed continued to purchase mortgage and Treasury bonds at a rate of \$120 billion per month, providing liquidity and a continued low rate environment.



Inflationary pressures are becoming more of a focus for bond markets as rising consumer prices are being seen on a broad scale. Treasury Secretary Yellen alluded that rates may need to rise to keep the economy from overheating. A closely followed gauge by the bond markets for inflation, the 10-year breakeven inflation rate, rose to 2.41% at the end of April, signaling an inflationary trend. Historically, the Fed has started to taper or reduce stimulus efforts once inflationary pressures are validated. (Sources: U.S. Treasury, Federal Reserve)

Equities Maintain Some Upward Momentum – Domestic Stock Market Overview

Strong earnings and economic data helped propel equities higher in April, along with abundant liquidity provided by the Fed in the form of bond buying and continued low rates. Strengthening economic data has also helped maintain equity valuations, anticipating expanding growth across the economy.

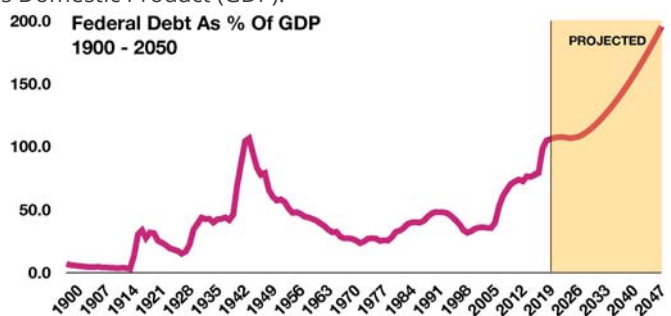
The anticipated effects of the proposed increases in capital gains may be muted since roughly only 25% of U.S. stocks are in taxable accounts, while the balance are in retirement and pension accounts where capital gains tax is not applicable.

Higher prices on numerous consumer products are leading to rising margins for many companies, translating into elevating earnings and stock prices. Comments by Fed Chair Jerome Powell on April 28th suggested that parts of the market “are a bit frothy”, alluding to some overpriced valuations. (Sources: S&P, Bloomberg, Federal Reserve)

National Debt As Percentage of GDP – Fiscal Policy

The three rounds of stimulus spending to combat the coronavirus and its economic affects have contributed to a nearly \$4.5 trillion increase in federal debt held by the public, raising it to \$21.9 trillion as of March 1. Existing federal debt is now the highest since World War II and exceeding the size of the nation’s entire economic output, as measured by Gross Domestic Product (GDP).

Congressional Budget Office (CBO) forecasts show that the nation’s debt as a percentage of GDP will continue to increase for the following 30 years, with debt reaching nearly 200% of GDP by 2050. Various factors are taken into account when calculating future debt estimates, including economic activity, tax revenue and government spending. The currently proposed tax hikes are meant to offset not only existing debt but also possible future debt issuance should economic circumstances require it. (Sources: CBO, Federal Reserve)



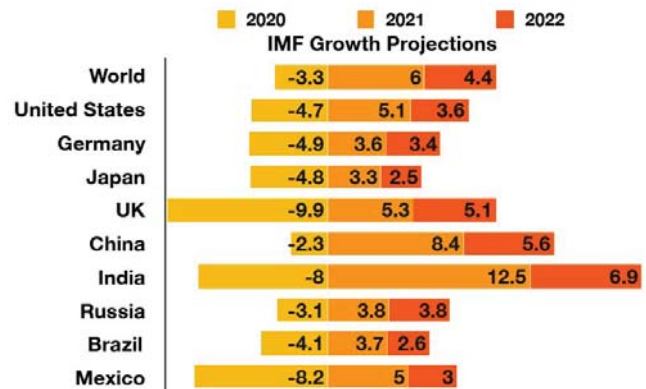


IMF Lifts Estimates For Global Growth – Global Economy

Widespread vaccinations across the globe along with continued liquidity provided by central banks internationally and the Federal Reserve, have compelled the International Monetary Fund (IMF) to revise global growth projections higher. The IMF expects advanced economies less affected than emerging economies by the pandemic, which has taken a toll on emerging countries such as India and Brazil. Smaller emerging economies reliant on tourism have lost vast amounts of revenue and jobs as international travel essentially came to a halt.

In addition to economic projections, the IMF also posted other findings from its data, including demographics and humanitarian. It found that roughly 95 million people have fallen into extreme poverty over the past year due to the pandemic. It also identified an additional 80 million people worldwide that are without adequate food or are malnourished. In a separately issued report released by the IMF, the Global

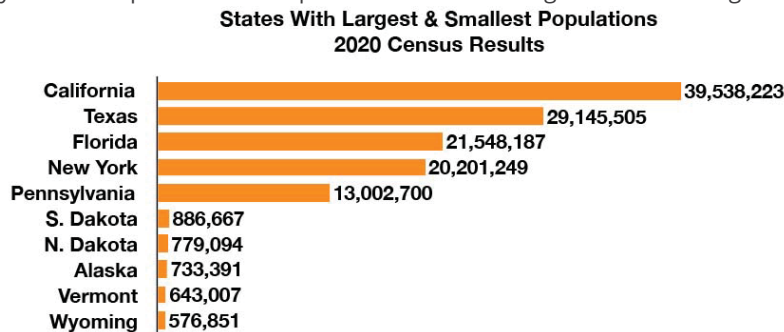
Financial Stability Report, the IMF cautioned that the excessive use of central bank intervention and massive debt issuance as in the U.S. may produce unintended consequences such as inflationary pressures for consumers on a wide scale. (Source: IMF)



U.S. Census Reshapes Congressional Seats – Demographics

Every ten years the U.S. Census Bureau conducts a count of U.S. residents used in the determination of various demographical programs. The Census Bureau count also reallocates seats in the House of Representatives based on population changes among the states. The appropriation of seats is known as apportionment, which allocates the 435 seats in the House of Representatives among the 50 states. This process is mandated by the U.S. Constitution under Article 1, Section 2, requiring a census and apportionment every ten years.

Results from the 2020 Census show that the U.S. population grew to 331,449,281 as of April 1, 2020, a 7.4% increase from the 2010 Census, the slowest rate since the Great Depression. The states that gained seats are Texas, Colorado, Florida, Montana, N. Carolina and Oregon. Seats were lost for California, Illinois, Michigan, New York, Ohio, Pennsylvania, and W. Virginia. Seat appointments are critical for politicians as they strive to pass and halt particular bills and legislation affecting everything from taxes to benefit



payments. States that saw the largest percentage gains in population include Utah, Idaho, Texas, N. Dakota, and Nevada, while Pennsylvania, Wyoming, Ohio, and Michigan experienced the slowest population gains. (Source: U.S. Census;CB21-CN.30)

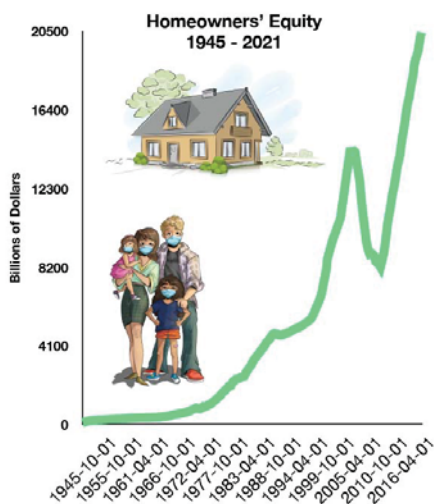


HOME PRICES ROSE ROUGHLY 12% FROM FEBRUARY 2020 TO FEBRUARY 2021

Home Equity Surpasses \$21 Trillion – Housing Market Overview

With home prices rising roughly 12% from February 2020 to February 2021, equity levels have risen producing heightened wealth among millions of homeowners. Elevated equity has allowed homeowners to remodel and improve existing homes, resulting in further home value increases.

A tight supply of homes nationwide has added to rising home values as growing demand for homes has produced multiple offers on homes. The lack of inventory has also locked homeowners into their homes for longer periods as they upgrade and modernize.



A closely followed gauge of housing prices tracked by the Federal Reserve, the S&P/Case-Shiller U.S. National Home Price Index, rose the most in 15 years, sending home prices to new highs throughout most of the country. The data also found that the lack of new homes spurred heightened demand for previously owned homes. The acceleration of prices for previously owned homes versus new homes hasn't occurred in 15 years. Rising home values translate into rising equity for homeowners, which in-turn enhances household wealth, credit availability and consumer confidence. Economists view these characteristics as supportive for an economic recovery, allowing for more borrowing and spending. (Source: Federal Reserve; //fred.stlouisfed.org/series/CSUSHPINSA)

Chinese Government Introduces Its Own Cryptocurrency – Global Currencies

The onslaught of digital currencies has been an area of curiosity for central banks worldwide. Still in the exploratory stages, central banks, such as the Federal Reserve, have not yet accepted cryptocurrency or digital currency as a valid form of monetary transactions. Rather, traditional currencies issued by countries such as the U.S. dollar, the British pound and the Chinese yuan continue to be the primary currencies used for financial transactions globally. China's introduction of an electronic currency is expected to allow its government better surveillance of its citizens and their everyday transactions. Unlike bitcoin and other widely used digital currencies, government issued electronic money can be tracked and identifies who the spender is.

Some believe that a digital Chinese currency is a strategy for China to start dislodging the U.S. dollar as the world's premier currency. The U.S. Treasury and the Federal Reserve have both acknowledged that an electronic yuan, China's currency, could eventually become a threat to the dominance of the U.S. dollar. China, as well as other captious countries regarding the use of the U.S. dollar such as Russia, support the diminished use of the dollar. U.S. imposed sanctions upon various countries can be altered or disabled without the dominance of the U.S. dollar. The Bank for International Settlements estimates that 88% of all global trade is currently made in U.S. dollars. The Chinese yuan currently accounts for only 4% of all transactions. (Sources: Peoples Bank of China, Federal Reserve, U.S. Treasury, Bank for International Settlements)

