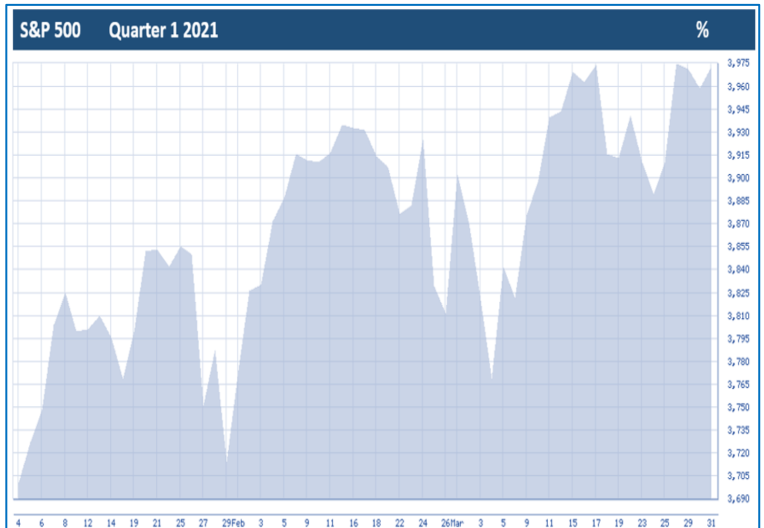
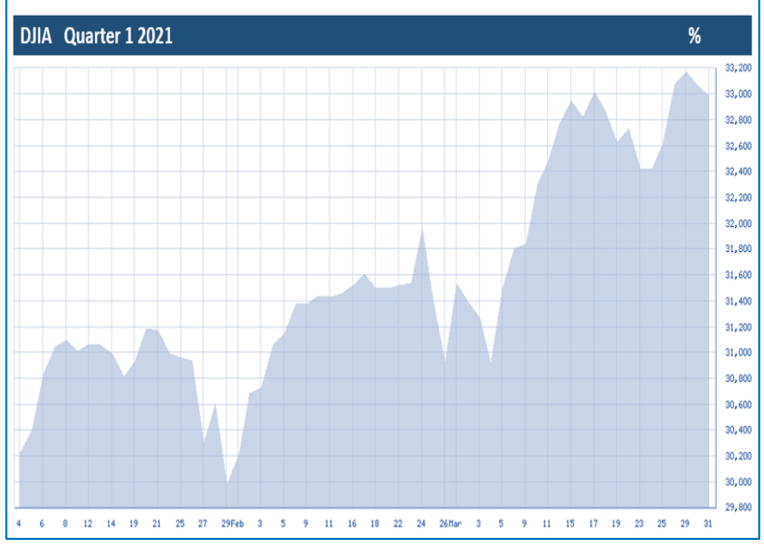
Quarterly Economic Update
First Quarter 2021

What a difference a year makes. The first quarter of 2021 included the one-year anniversary from the March 2020 equity market's bottom. For the first quarter of 2021, equity markets encountered volatility but still created all-time highs. With the potential of herd immunity following mass vaccinations, investors finished the quarter with hopes that the end of the pandemic could be seen by mid-year. Many optimists are hoping that the U.S. economy will continue to accelerate when that happens. All three major indexes finished the quarter positive, marking the fourth consecutive quarter of doing so. The Dow Jones Industrial Average (DJIA) and S&P 500 rose 7.8% and 5.8%, respectively, while the tech-heavy Nasdaq gained 2.8%. *(Source: finance.yahoo 4/1/2021)*





During the quarter, newly elected President Biden passed his $1.9 trillion American Rescue Plan. He also introduced at the end of the quarter, an outline of his infrastructure spending plan, which quoted a $2.3 trillion dollar price tag. This proposed plan is expected to focus on a broad range of infrastructural activities like; developing roads, airports, safe water supplies and greener technology. This plan could rise to an even higher dollar amount and it comes with a proposal to raise the corporate tax rate from 21% to 28% (after it was lowered from 35% to 21% in 2017). *(Source: finance.yahoo 4/1/2021)*

MONEY RATES
(as posted in Barron's 04/05/2021)

	LATEST WEEK	YR AGO
Fed Funds Rate (Avg. weekly auction)[c]	**0.07%**	**0.11%**
Bank Money Market[z]	**0.08%**	**0.16%**
12-month CD[z]	**0.19%**	**0.46%**

c- Annualized yields, adjusted for constant maturity, reported by the Fed Reserve on a weekly average basis. z – Bankrate.com (Source: Barron's; bankrate.com)

The Federal Reserve's March 17th monetary policy meeting sent the Dow Jones Industrial Average into an upward climb as the Fed released an upgraded economic outlook. The DJIA reached a record high of over 33,000 in response, as the Fed

Key Points

1. All three major indexes finished the quarter positive.
2. Continued vaccine distribution and re-openings are driving the economy forward.
3. Interest rates are projected to remain low through 2023.
4. The Federal tax deadline was extended for 2020 returns.
5. Avoid distractions and stay on path with your time horizons and risk tolerance.
6. **Call us with any questions or concerns about your personal investment strategy.**

upgraded its economic growth outlook for 2021 to 6.5%. This is up significantly from its last projection of 4.2%. The Fed also projected unemployment rates to dip to 4.5% and inflation to rise to 2.4% by the end of 2021. Despite the more positive outlook, the Fed did not change its decision to keep its main interest rate near-zero through the end of 2023.
(Source: finance.yahoo 3/17/2021)

Fed Chair Jerome Powell and Treasury Secretary Janet Yellen made a joint appearance in front of the U.S. House Committee on Financial Services on March 23 to discuss the state of the economy and its response to the COVID pandemic and recovery efforts. In her opening remarks, Yellen stated, "We are meeting at a hopeful moment for the economy — but still a daunting one. While we are seeing signs of recovery, we should be clear-eyed about the hole we're digging out of." Powell added that while the housing market has fully recovered from the downturn, that "business investment and manufacturing production have picked up but spending on services remains low."
(Source: nbcnews.com 3/23/2021)

During the quarter, many consumers' options were still limited by the need to still social distance. Normalization of behavior following mass vaccination should produce a major uptick of consumer services, which would drive an overall Gross Domestic Product (GDP) recovery. The jobs market is also projected to recover as consumer services does, because the service sector accounts for most of the lost jobs during the recession.

As a result of the March 2021 government bill, another massive stimulus injection started reaching eligible Americans households and businesses.

While the economy has benefited thanks to the record stimulus that started in 2020, the U.S. federal deficit has reached its highest level outside of World War II. Although this becomes a bet that the U.S. economy will recover from the pandemic, the totality of new debt is at a very high amount and must be monitored.

The consensus remains that our economic recovery is still largely based on the containment of the virus and the progression of vaccination distribution. President Biden's goal of having 100 million Covid vaccines "shot in arms" in the first 100 days of his presidency was easily achieved in March and the administration has doubled the goal to 200 million shots within the first 100 days. With this further distribution of the vaccine, consumer activity, continued re-openings and unemployment reduction is very hopeful.

While there are always many key points and issues that need to be watched, this report's goal is to focus on a few central themes for investors.

Interest Rates Still at Ultra-Low Levels

With vaccinations being distributed and the economy on the rebound, the Federal Reserve offered an improved economic forecast during its March monetary policy meeting. Despite the predicted upward trend in the economy, the majority of Fed policy committee members remained steadfast to 2024 as the first year they anticipate rate hikes. Investors reacted positively to this news and shortly after its release, the DJIA set a new record high.

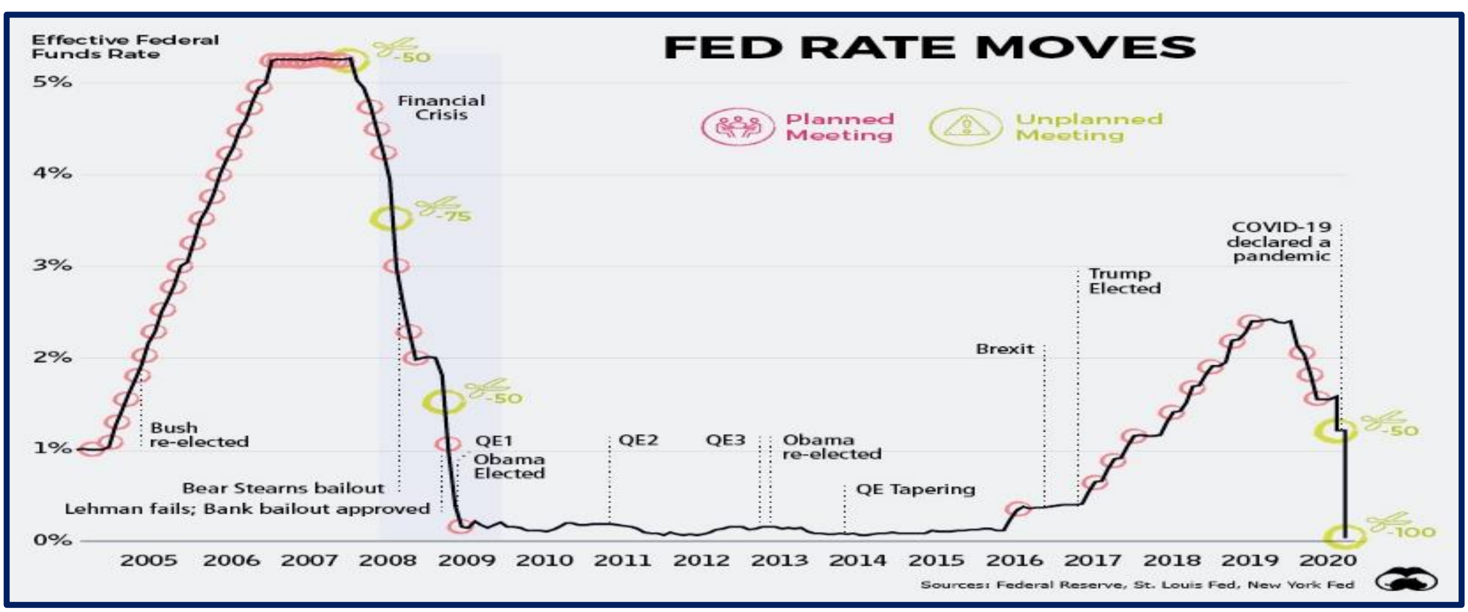
Please remember, even though interest rates are extremely low, a fully diversified portfolio can include interest rate sensitive investments, like bonds. This could help equalize market fluctuations and potentially reduce investment risk by investing in separate areas that could each react differently to the same event. In a period where the market rises, diversified portfolios will have lower returns than full equity portfolios. Conversely, with equities at or near all-time highs, bonds can offer protection to investors in the case of a downturn. A well-diversified portfolio considers investments in different categories like stocks, bonds, and cash, whose returns have not historically moved in the same direction and to the same degree.

Interest rates are important for investors to monitor and they will continue to stay near the top of our watchlist.

Treasury Yields

The 10-year Treasury yield rose to pre-COVID highs in March, reaching 1.75%. This 10-year yield was less than 1% at the beginning of the year. The 10-year's rapid rise was fueled by both the prospect of more Covid-related stimulus money being distributed, potentially increasing inflation, and the Federal Reserve's intentions of not raising interest rates in the near future. In March, the 30-year Treasury yield traded above 2.5%, the first time since August of 2019. *(Source: cnbc.com 3/18/2021)*

This rate rise was short lived. After Fed Chair Jerome Powell and Treasury Secretary Janet Yellen made a joint appearance in front of the U.S. House



Committee on Financial Services on March 23, U.S. Treasury yields receded down to 1.615% on the 10-year note and 2.326% on the 30-year note.

2020 Tax Filing Deadline Extended

To relieve some of the stress of filing 2020 tax returns, on March 17, the Treasury Department and Internal Revenue Service announced that the federal income tax filing due date for individuals for the 2020 tax year will be extended to May 17, 2021. The May 17 deadline postponement also included federal income tax payments without penalties and interest for the 2020 tax year that would have been due on April 15, 2021.

"This continues to be a tough time for many people, and the IRS wants to continue to do everything possible to help taxpayers navigate the unusual circumstances related to the pandemic, while also working on important tax administration responsibilities," said IRS Commissioner Chuck Rettig. *(Source: irs.gov 3/17/2021)*

This postponement only applies to individual federal income returns and tax (including tax on self-employment income) payments otherwise due April 15, 2021 and it does not include state tax payments or deposits or payments of any other type of federal tax.

Please note that this postponement also did not apply to estimated tax payments due on April 15, 2021.

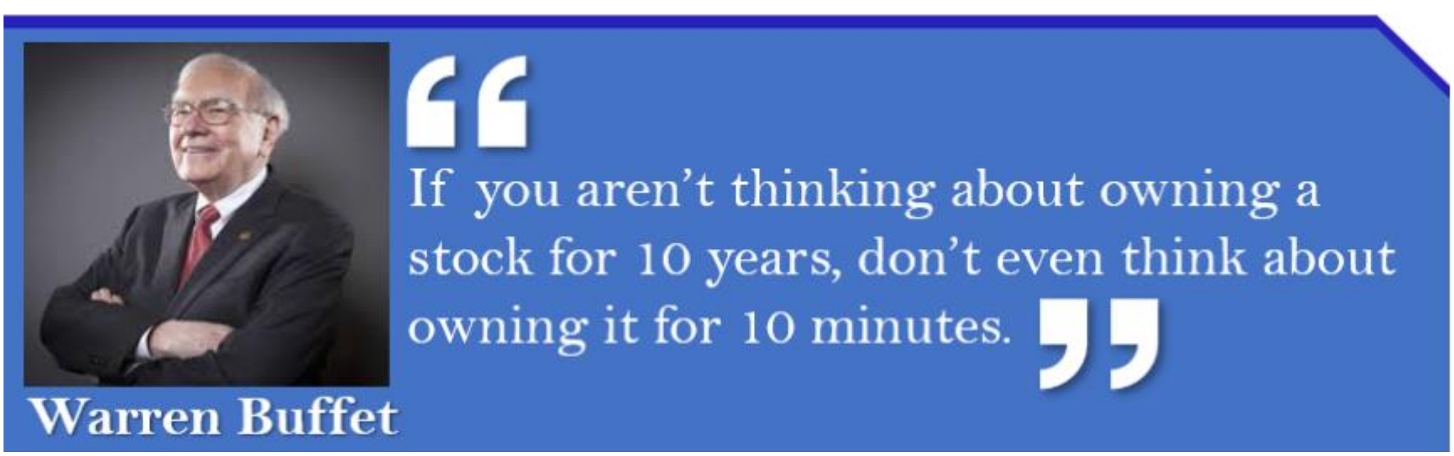
Noise and Distractions

As if investors did not have enough to think about, the first quarter of 2021 brought major drama when Gamestop, a video game retailer that Wall Street bet heavily against, saw a rise of over 2,000% in its stock price. This surge was initially and primarily triggered through the social news platform, Reddit. The drama that ensued prompted Congress to hold hearings focused on the state of the stock market and questionable practices.

The ongoing battle of "David and Goliath" has been an incredible distraction for some investors. The temptation of potentially sizeable, but very high-risk short-term gains could have investors considering veering off the course they had set for their retirement and investment strategies.

If you have carefully created a strategy with realistic financial goals, veering off course in the hopes of short-term gains could potentially compromise the financial fortitude of your long-term goals.

Media magnification is a powerful force. Sensational headlines can leave investors overwhelmed, stressed, and confused.



Please remember, easy access to information through multitudes of media outlets can be beneficial, however, the more information we have, the more we could be tempted to make decisions that deviate from sound, long-term strategies. Adhering to a long-term investment plan often requires taking the news with a grain of salt and putting the impromptu advice of others on the back burner.

Legendary long-term investor, Warren Buffet, has said, "If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes".

Being prepared for any future circumstances that may arise and staying the course for your personal investment and retirement goals are fundamental to long-term financial security. This can be easier said than done, especially during uncertain times when external influences are at a peak.

As stewards of your wealth, we strive to align your investments to your time horizon and risk tolerance. Please connect with us prior to making any major changes in the path to your financial goals.

Investor's Outlook

With the upcoming earnings season, investors could see market-moving news come from the continuation of a smooth Covid-19 vaccine rollout and a resumed reopening of the economy. Reports show that about one-third of the U.S. adult population has received at least one dose of a Covid-19 vaccine, as of late March. All of this gives us confidence that vaccination programs will continue to do the hard work of combatting the virus and enabling continued economic and market recoveries.

Interest rates are still very low on a historical basis. If they remain low and central banks globally continue to maintain support, we can see economies resume their recoveries. Patience from the Federal Reserve could easily benefit equity investors.

Corporate earnings are critical for equities and Blackrock reported that the overall Fourth-quarter earnings (which were released in early 2021) strongly beat consensus analyst estimates as well as what was mostly conservative company guidance. The continuation of this trend would be very helpful for equity investors.
(Source: Blackrock 4/1/2021)

As mentioned earlier, the Biden administration is proposing an injection of another large amount of dollars into the economy in hopes to help turbocharge the U.S. economic recovery, assist in renovating infrastructure, and taking measure to combat climate change. On March 21, White House Press Secretary Jen Psaki said the administration is considering releasing this plan in two phases, one that boosts manufacturing, transportation, and environmental sectors, while the other focuses on reducing economic inequities.
(Source: cnbc.com 3/22/2021)

Some experts are speculating that the government's spending will bring the federal deficit to unsustainable levels. These plans are scheduled to be financed in part by major tax hikes on corporations and high earners. Whether or not this will affect equities is still unknown. "Equities do not appear to be pricing much concern regarding tax hikes," wrote David Kostin, Chief U.S. equity strategist at Goldman Sachs. It is wise to watch and wait as more detail unfold on Biden's tax and economic recovery plans. *(Source: Barron's 3/23/2021)*

Currently, there is a great confidence that the U.S. economy will recover from the pandemic. One thing we know for sure is that peaks and valleys have always been a part of financial market landscape. Investors should plan for equity markets to continue to move up and down. Regardless of what the equity markets are doing, our goal is to continually make sure your investing plan is centered on your personal goals and timelines.

Historically, April has been a strong month for equity performance, but investing will always involve some form of risk and uncertainty. Inflation concerns and interruptions on the road back to normal could create volatility and equity retreats. For now, investors should continue to focus on their long-term goals and objectives. Even when investing for the long-term, there is no guarantee that market volatility will decrease, stabilize, or increase over any timeframe.

Caution

is still the principal notion for investors.

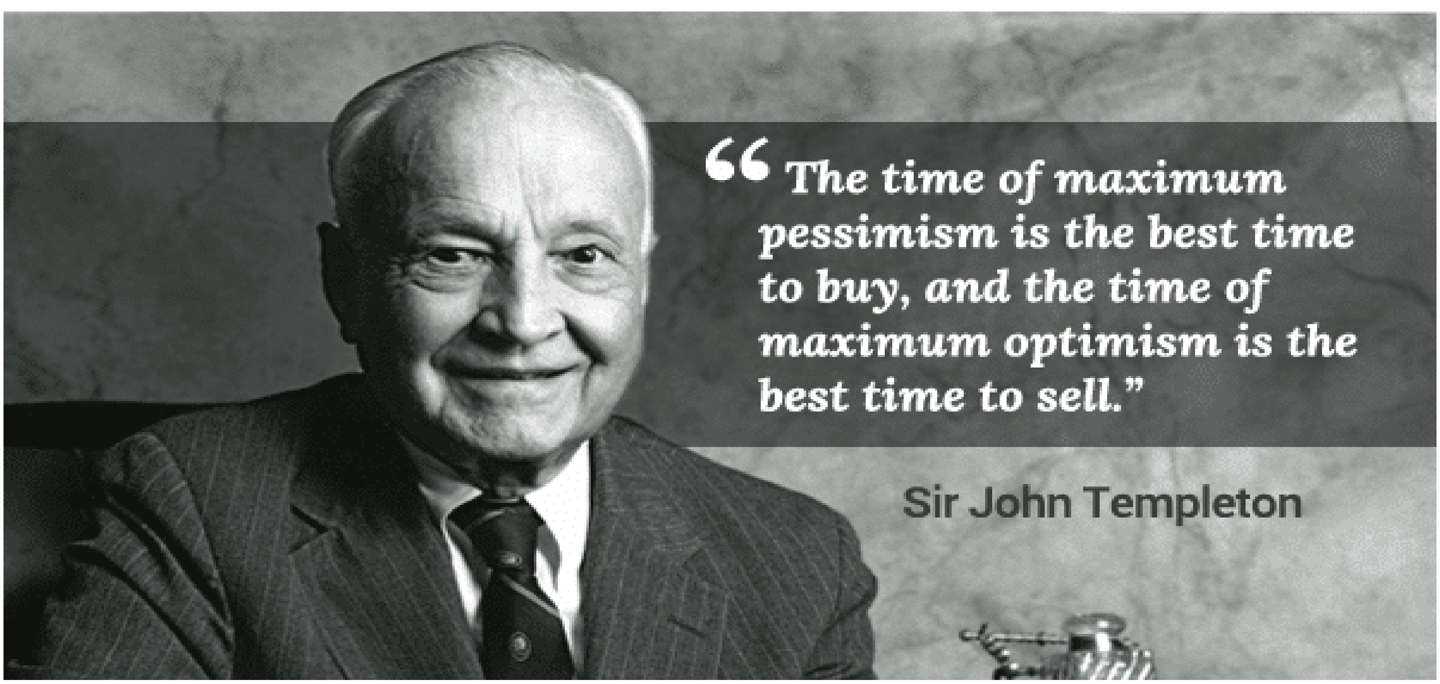
Our advice is not one-size-fits-all. We will always consider your feelings about risk and the markets and review your unique financial situation when making recommendations. If you would like to revisit your specific holdings or risk tolerance, please call our office, or bring it up at our next scheduled meeting. **If you ever have any concerns or questions, please contact us!**

We are here for you!

We pride ourselves in offering:

- consistent and strong communication,
- a schedule of regular client meetings, and
- continuing education for every member of our team on the issues that affect our clients.

A skilled financial professional can help make your journey easier. Our goal is to understand our clients' needs and then try to create a plan to address them.



Time Horizon

According to investor.gov, your time horizon is the number of days, years, or decades you need to invest to achieve your financial goal.

Time Horizon is an essential factor when selecting the types of investments to include in your portfolio. An investor that can commit to a 10-year time horizon can review different choices as compared to someone who needs to use that money in 6 months.

Generally speaking, the investment time horizon can be categorized into three major classifications: **short**, **medium** and **long**.

Here are some ideas and thoughts on those time horizons. Please keep in mind that there is no perfect rule or definition for each of these timeframes and the advice on how each should be considered is not universal.

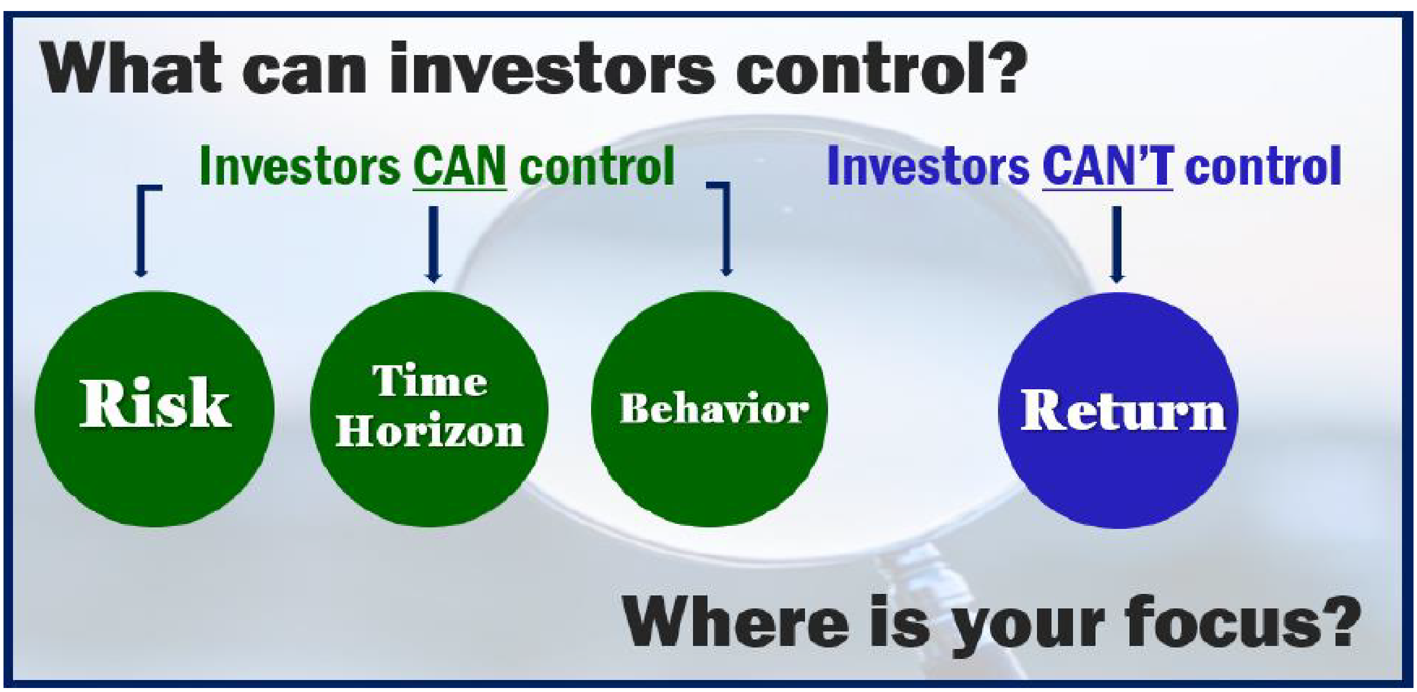
Short term: two years or less

Medium term: two to ten years

Long term: ten years or more

To best match desired results, you should always consider creating and sticking to an investment discipline that incorporates your timeframe. This can allow you to follow your timeline without being distracted by market noise and arbitrary advice. Staying centered on your strategy requires investing discipline and focus.

Investors should always try to match their portfolios to their goals and time horizons. This can help them keep the big picture in mind and hopefully curtail any distractions caused by short-term developments. This is something that we enjoy helping our clients with. If clients are focused on their long-term goals, we can help minimize any anxieties caused by short-term market noise or volatility. **Our goal is to help clients avoid making impulsive investing decisions.**



HELP US GROW!

This year, one of our goals is to offer our services to several other people just like you!

Many of our best relationships have come from introductions from our clients.

Do you know someone who could benefit from our services?

We would be honored if you would:

- ✓ Add a name to our mailing list,
- ✓ Invite a guest to a workshop,
- ✓ Encourage someone to schedule a complimentary financial checkup.

Please call **Julie at (970) 731-3070** and we would be happy to assist you!