Insights

MAY 2021

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Quarterly Economic Update
First Quarter 2021

What a difference a year makes. In March 2020 we saw the bottom of the equity markets. This year in Q1 equity markets were volatile, but reached all-time highs. The continued progress of the vaccine rollout and the passage of the stimulus bill created major tail-winds for the economy, reflected by rising gross domestic product estimates, a further move up in equity prices and a steady rise in interest rates. The market saw gains across sectors, and all three major indexes finished the quarter positive, marking the fourth consecutive quarter of doing so.

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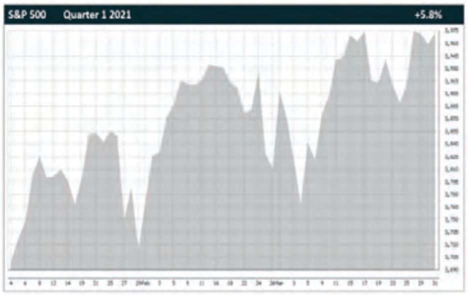
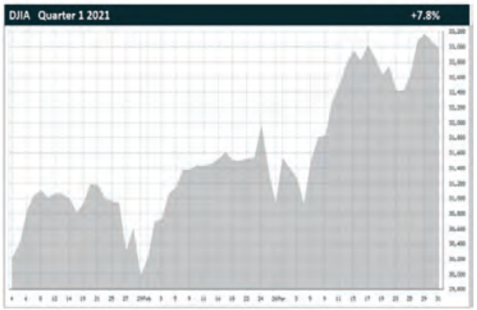
Big news came with the passage of the latest stimulus bill, which injected trillions into the economy, and the release of the Ever Given, a giant container ship that had gotten stuck in the Suez Canal, which hampered shipping worldwide. On March 31 President Biden also formally introduced an outline of his infrastructure spending plan, with a \$2.3 trillion dollar price tag. This proposed plan is expected to focus on infrastructure like developing roads and 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)* We anticipate robust debate around this issue.





The Dow Jones Industrial Average (DJIA) and S&P 500 rose 7.8% and 5.8%, respectively. The tech-heavy Nasdaq gained 2.8% (not pictured). *(Source: finance.yahoo 4/1/2021)*

At the March Federal Reserve monetary policy meeting the Fed upgraded its economic growth outlook for 2021 to 6.5%, up significantly from its last projection of 4.2%. They also projected unemployment rates to dip to 4.5% and inflation to rise to 2.4% by the end of 2021. The Fed did not change its near-zero interest rates decision through the end of 2023. In response, the DJIA reached a record high of over 33,000. *(Source: finance.yahoo 3/17/2021)*

In a joint appearance in front of the U.S. House Committee on Financial Services on March 23, Treasury Secretary Janet 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." Fed Chair Jerome Powell added that while the housing market has fully recovered from the downturn, "Business investment and manufacturing production have picked up, but spending on services remains low." *(Source: nbcnews.com 3/23/2021)*

MONEY RATES *(as posted in Barron's 4/5/2021)*

INCOME RANGE	LAST WEEK	YEAR AGO
Fed Funds Rate (Avg. weekly auction -c)	0.07%	0.11%
Bank Money Market -z	0.08%	0.16%
12-month Cert -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 faster arrival of vaccines as well as the massive stimulus injection could mean a major uptick of consumer services, which would drive an overall Gross Domestic Product (GDP) recovery. The job market is also projected to recover in tandem with consumer services, as the service sector accounts for most of the lost jobs from the pandemic.

While there are many issues that we are watching, here are some central themes for investors:

Interest Rates Still at Ultra-Low Levels

Despite the predicted upward trend in the economy, the majority of Federal Reserve Board's policy committee members remained steadfast to 2024 as the first year they anticipate rate hikes. Shortly after releasing this news, the DJIA set a new all-time high.

Please remember, even though interest rates are extremely low, a fully diversified portfolio includes interest rate sensitive investments, like bonds. Bonds can help provide stability in your portfolio when the market is volatile. Your yield will remain the same* even if the price of the bond rises and falls to the whims of the market. This is especially important if you should happen to need money during market volatility.

We believe in a diversified approach because, as we were reminded last March, the stock market can soar and plunge rapidly. However, asset allocation and diversification alone will not protect you from losses. You and your advisor have decided on your mix of investment products based on your individual circumstances and your investment objectives. If your circumstances or long-term objectives have changed, or if you have any questions about your investment strategy please let us know, we are here to help.

Q. Can bonds lose value?

A. Yes, but they are far less volatile than stocks.

Q. Do interest rates affect bond value?

A. Bonds typically go DOWN when interest rates go UP and UP when interest rates go DOWN. However, please note that interest rates typically go up because the economy is improving – good news for your stock positions and not-so-good news for your bond positions. When interest rates go down it's typically because the economy is cooling off.

Q. Since interest rates are likely to rise as the economy recovers, why would anyone continue to hold bonds?

A. In the same way we don't recommend moving all of your money to bonds when the stock market is down, we do NOT recommend moving all of your money to stocks when interest rates rise.

A. Not all bonds are affected equally. Among other things, bonds can be affected by duration.

***Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise.**

Investors should carefully consider the investment objectives, risks, charges and expenses of mutual funds. The prospectus contains this and other information about mutual funds. The prospectus is available from our office [or from the fund company] and should be read carefully.

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 the prospect of more Covid-related stimulus money being distributed, potentially increasing inflation and that the Federal Reserve stated it did not intend to raise interest rates in the near future.

In March, the 30-year Treasury yield traded above 2.5%, the first time since August of 2019. This 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. *(Source: cnbc.com 3/18/2021)*

2020 Federal Tax Deadline Extended

The federal income tax filing due date for individuals for the 2020 tax year has been extended to May 17, 2021. You also have until May 17 to make 2020 contributions to your individual retirement account (IRAS and Roth IRAS), health savings accounts (HSAs), Archer Medical Savings Accounts (Archer MSAs), and Coverdell education savings accounts (Coverdell ESAs). This postponement also automatically postpones to May 17, 2021, the time for reporting and payment of the 10% additional tax on amounts includible in gross income from 2020 distributions from IRAs or workplace-based retirement plans. Notice 2021-21 also postpones the due date for Form 5498 series returns related to these accounts to June 30, 2021.

IRA contributions and filing certain claims for refund. 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 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 including estimated tax payments.

Investor's Outlook

With the upcoming earnings season, investors could see market-moving news come from a resumed reopening of the economy.

Interest rates are still very low. If that holds and central banks globally continue to maintain support, economies may 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. However, the U.S. federal deficit has reached its highest level outside of World War II, and some experts are speculating that the government's spending will bring the federal deficit to unsustainable levels.

These plans will be financed in part by major tax hikes on corporations and high earners that the administration has proposed. Whether or not this will affect equities is up in the air. "Equities do not appear to be pricing much concern regarding tax hikes," wrote David Kostin, Chief U.S. equity strategist at Goldman Sachs. It can be wise to watch and wait as more details unfold on Biden's tax and economic recovery plans. *(Source: Barron's 3/23/2021)*

The Bottom Line

Altogether, there's great confidence that the U.S. economy will recover from the pandemic. But peaks and valleys have always been a part of financial markets. Equity markets will continue to fluctuate. As stewards of your wealth, our genuinely committed team is focused on aligning **your** investments to **your** time horizon and risk tolerance. (Notice that – it's all about YOU!) And, because we believe an educated client is our best client, we communicate regularly to keep you up-to-date on issues that could affect you and to help you understand how **your** portfolio is performing. Contact us if anything has change, if you have any questions, or if you would like to revisit your specific holdings or risk tolerance. We are here to understand your needs and provide guidance.

It is our privilege to help you simplify financial planning and provide:

- Appointments scheduled at regular intervals to review and adjust your financial plan, answer questions and provide education on subjects and issues that could affect your long-term success.
- Consistent and strong communication, articles and newsletters like this one, and emailed market updates.
- Education and social events, and regular update phone calls.
- Extraordinary service by a highly qualified and genuinely committed team.
- Coordination and consultation with your attorney, tax preparer, and other professionals to help you gain financial clarity in ALL areas.
- Tax reduction strategies and a complete review of tax planning and returns.

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If they are important to you, they are important to us!

Because our first priority is providing you unparalleled service and an outstanding client experience, we limit the number of new relationships we take on each year. But, we are always happy to meet with a friend or family member of yours! We would be honored if you would recommend our services to a friend or family member who:

- Would like to work with a trusted team who will treat them like family.
- Is going through a life-transition such as widowhood or a career-change.
- Wants transparent communication without financial jargon.
- Is retired or is close to retirement.

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Source: Forbes.com. As of 2/18/21. The Forbes ranking of Best-in-State Wealth Advisors, developed by SHOOK Research, is based on an algorithm of qualitative and quantitative data. Those advisors that are considered have a minimum of 7 years of experience, and the algorithm weighs factors like revenue trends, AUM, compliance records, industry experience and those that encompass best practices in their practices and approach to working with clients. Portfolio performance is not a criteria due to varying client objectives and lack of audited data. Out of approximately 32,725 advisors nominated by their firms, more than 5,000 received the award. These rankings and recognitions may not be representative of any one client's experience, are not an endorsement, and are not indicative of future performance. Neither Raymond James nor any of its Financial Advisors pay a fee in exchange for this award/rating. Raymond James is not affiliated with Forbes or SHOOK Research, LLC. Please visit https://www.forbes.com/best-in-state-wealth-advisors for more info.

The FT 400 was developed in collaboration with Ignites Research, a subsidiary of the FT that provides specialized content on asset management. To qualify for the list, advisers had to have 10 years of experience and at least $300 million in assets under management (AUM) and no more than 60% of the AUM with institutional clients. The FT reaches out to some of the largest brokerages in the U.S. and asks them to provide a list of advisors who meet the minimum criteria outlined above. These advisors are then invited to apply for the ranking. Only advisors who submit an online application can be considered for the ranking. In 2019, roughly 960 applications were received and 400 were selected to the final list (41.7%). The 400 qualified advisers were then scored on six attributes: AUM, AUM growth rate, compliance record, years of experience, industry certifications, and online accessibility. AUM is the top factor, accounting for roughly 60-70 percent of the applicant's score. Additionally, to provide a diversity of advisors, the FT placed a cap on the number of advisors from any one state that's roughly correlated to the distribution of millionaires across the U.S.

Raymond James Global Top 50 is an event that takes place in February (2020). Invitees are selected based on 2019 fiscal year production. There are approximately 50 attendees, though that number may vary based on those who are invited and available to attend.

Raymond James Chairman's Council Membership is based on prior fiscal year production, requalification is required annually.

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