



Private Capital Group Q1 2021 Newsletter

If you predicted that the first quarter of 2021 would be as eventful as 2020, you would've been spot on. The end of 2020 led us with fears of the virus, or variants of it, making a resurgence, continued government-imposed lockdowns, and a cloudy outlook on a return to a resemblance of normalcy. Although some uncertainty remains, we would be remiss if we did not acknowledge and appreciate the greater clarity that has been provided to us in the first quarter of 2021, namely around the duration and extent of fiscal support, vaccination rollouts, and global recovery.

Fiscally, the \$1.9 trillion American Rescue Plan was signed by President Biden in the beginning of March, which included \$1,400 checks to most Americans, an extension of the \$300 per week unemployment insurance, and \$20 billion towards COVID-19 vaccination. In the next six months, \$1.2 trillion will be spent from this aid package, mostly providing relief to lower and middle-income households. On the vaccination front, the United States is leading the global charge in providing safe and effective vaccines to all Americans who choose to be vaccinated. Finally, as economies and most sectors begin to reopen, we are cautiously optimistic on the economic outlooks both domestically and globally.

Financial Market	Q1 2021	YTD 2021
S&P 500 (Domestic Stocks)	6.17%	6.17%
EAFE (International Stocks)	3.60%	3.60%
U.S. Government/Credit Intermediate Bonds	-1.86%	-1.86%

Vaccine Rollouts

Over the past 12 months, a remarkable and miraculous feat has taken place. The private and public partnerships between governments around the world, most notably the U.S. government, and pharmaceutical companies, have not only developed multiple vaccines to fight against the COVID-19 pandemic, but a worldwide total of roughly 590 million doses have already been administered. In the United States alone, experts estimate that we are roughly administering 2.5 million doses per day and have already eclipsed 100 million total doses. Because of the monumental efforts of the previous Administration's Operation Warp Speed and the current Administration's vaccination rollout, many state economies have begun to reopen and allow industries, such as the service sector, to pick up and contribute to overall GDP growth. The months ahead will help provide some additional clarity and direction around economic recovery.



Interest Rates

During the first half of 2020, the Federal Reserve took considerable action to combat the virus and took an aggressively assertive stance to support the economy. The federal funds rate was cut to a rate of 0-0.25%. In doing so, this allowed the Fed to support different parts of the bond market, while dramatically adding to its balance sheet. As we began to learn and understand more about the economic impact, the Fed later adopted an “Average Inflation Targeting” strategy which they employed as an aim to achieve inflation of above 2% for the foreseeable future.

In March, the Fed provided its forward guidance and economic update to the House Committee on Financial Services by way of introducing its updated interest rate and economic projections, and again reasserted the Fed’s commitment and support for economic recovery. The Fed does believe that inflation will rise to 2.4% by the end of this year but is steadfast that this is not cause for alarm.

Economic Growth

At the end of the first quarter in 2020, the S&P 500 sharply declined by roughly 20%. This significant collapse, however, led and continues to lead to an economic expansion. The receding pandemic paired with additional fiscal stimulus has experts suggesting that there will be a potential surge for the economy over the course of 2021. Pent-up supply and demand will vastly contribute to growth in sectors that were severely impacted by the pandemic. Furthermore, economists predict that sectors such as travel, leisure, entertainment, and restaurants will lead the charge of the strong surge in economic growth. As many sectors, and more so, states, begin to reopen, unemployment rates most likely will fall, leading to continued support for strong economic growth. Strong fiscal support and continued progress of the vaccination rollout presumably will heed significant GDP growth.

Private Capital Group remains fully committed to you, your family, and your financial peace of mind. As we continue to see a sharper image of our economic and health states, PCG will continue to energetically deliver our best in service to you, our valued clients.

We wish you a happy, safe, and healthy spring and we look forward to hearing from you and seeing you soon!

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