

ECONOMIC & MARKET INSIGHTS

An Executive Summary for April 2021

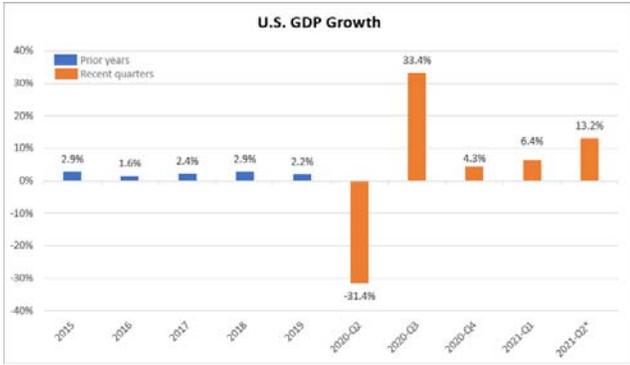
April provided more evidence that the pace of the U.S. economic recovery is accelerating. A somewhat swift vaccine rollout has so far proven effective and newly reported COVID-19 cases continue to fall in the U.S. and across many other developed nations. Potential containment of the health crisis has contributed to improved financial data across the board. In particular, housing and manufacturing are bright spots and even beaten down sectors, such as travel and leisure, are showing encouraging signs. Forward optimism paired with elevated levels of government intervention has contributed to heightened asset prices for nearly all goods, physical or digital. While there are reasons to be more positive for the future, we remain in uncharted waters and the range of outcomes is broad.

Much of the economic data reported over the past month exceeded expectations. Job growth has made an impressive recovery and the unemployment rate fell to 6% - a far cry from the pandemic peak of nearly 15%. The resilience of the labor market paired with a high level of savings from recent stimulative efforts has set the stage for enhanced consumer confidence, which is likely to translate to increased spending. This backdrop could lead to extraordinary levels of financial growth in the coming months as the country more fully reopens and pent-up demand is absorbed.

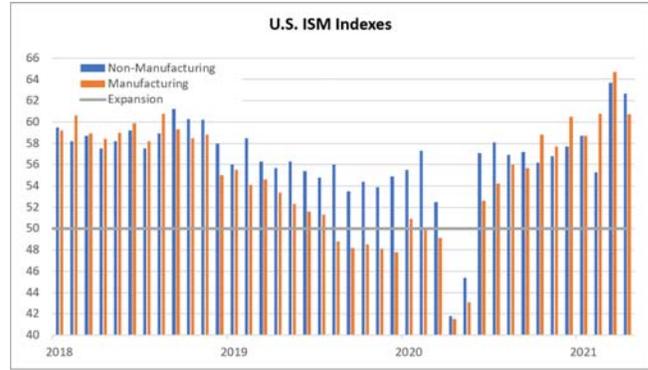
President Biden has so far demonstrated that he is willing to put forward policy changes that will increase the scope and scale of the government for years to come. Not long after the \$1.9 trillion American Rescue Plan was passed, the new administration introduced a \$2.3 trillion American Jobs Plan and a \$1.8 trillion American Families Plan. Much of the aid is aimed at lower and middle-income families, with wealthier individuals and/or corporations left with the tab. Details haven't been finalized but it's likely that taxes will be higher going forward, especially for high earners. While government intervention has so far aided the recovery, the anticipated side effects of higher taxes and inflation could hinder growth in the future.

Risk assets have responded well to the current backdrop, with April being a particularly strong month for markets. Nearly all global equity markets rose, although large-caps generally bested small-caps and growth regained leadership over value as the rotation trade paused. That said, the opposite is true year-to-date. Most international equity markets lagged domestic stocks for both the month and so far this year. Despite losses earlier in the year, fixed income assets regained some ground last month as yields stabilized and spreads continued to drop to historic lows. The municipal market was resilient, backed by strong inflows as investors priced in a greater likelihood for higher taxes. Hedge funds fell between most stock and bond markets while commodities and real estate were standout performers, reflecting surges in demand and still constrained supply. Prices for many natural resources and housing inputs, such as lumber, are hitting multi-decade highs with few signs of slowing down.

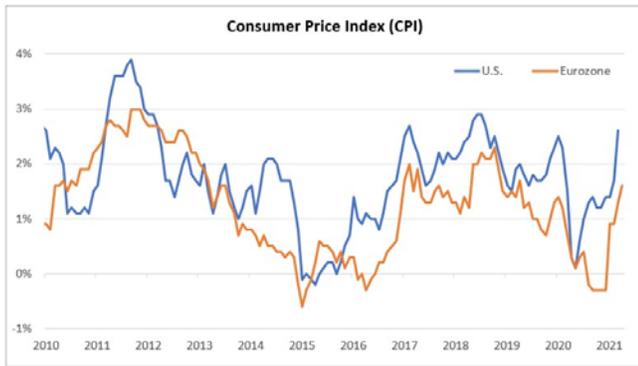
While the current outlook is dramatically better relative to a year ago, the path forward may not always be a smooth ride. The pandemic appears to be abating in developed nations but is ravaging emerging markets like India, which could impede a global recovery. Inflation pressures are firmly present and it's yet to be seen if they are transitory or structural. Markets will also reach a point where they need to stand on their own footing beyond government aid. With lots of optimism already priced in, it's a time to ensure your portfolio is on course and to stay focused on long-term goals.



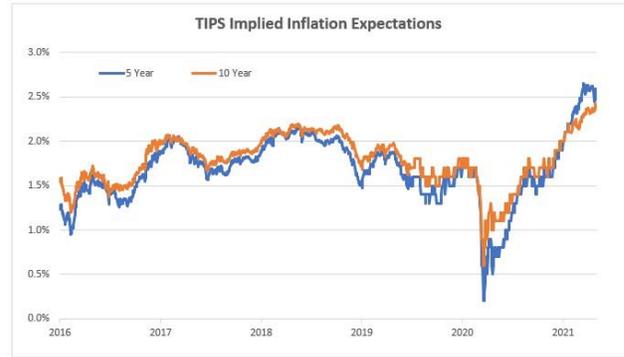
U.S. Department of Commerce, * Atlanta Fed GDP Now Estimate



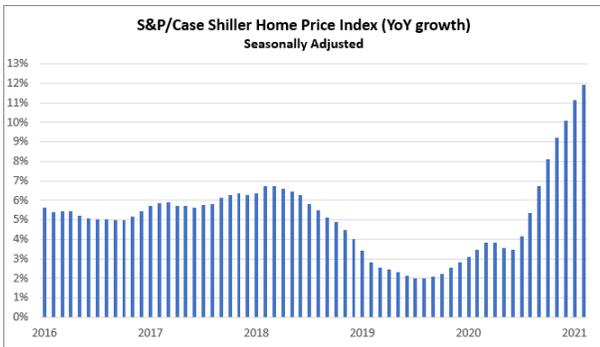
Institute for Supply Management



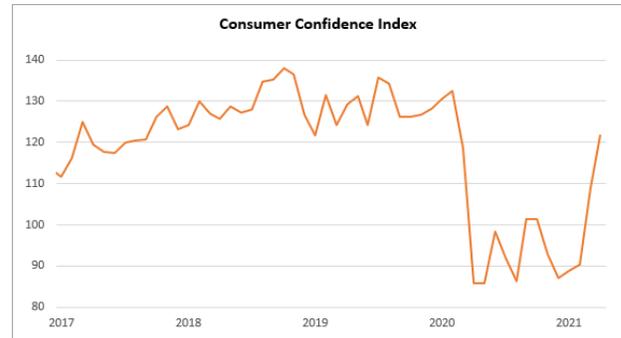
U.S. Bureau of Labor Statistics



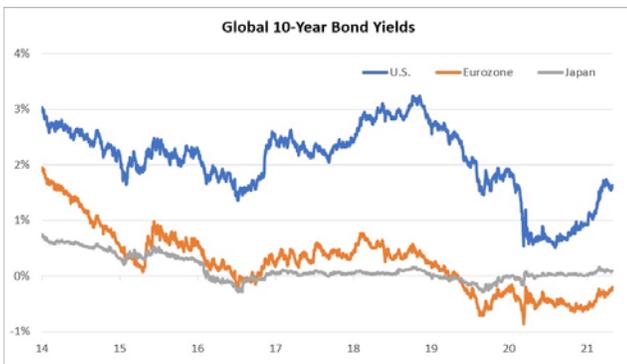
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