

Economic Review and Outlook

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1Q21

Vaccination Progress Lifts the Economy

U.S Vaccination Progress

Total Vaccine Doses	
Delivered	250,998,265
Administered	194,791,836

People Vaccinated	At Least One Dose	Fully Vaccinated
Total	123,917,385	76,681,252
% of Total Population	37.3%	23.1%
Population ≥ 18 Years of Age	122,950,014	76,465,698
% of Population ≥ 18 Years of Age	47.6%	29.6%
Population ≥ 65 Years of Age	43,533,422	34,455,460
% of Population ≥ 65 Years of Age	79.6%	63.0%

- ▲ First dose vaccinations at the end of the first quarter stood around 33% of the adult U.S. population. About 3 million vaccines were administered per day. By mid-April, about 48% of the adults in the U.S. were vaccinated.
- ▲ Based on the vaccination pace at the end of the quarter, it is estimated that 75% of the U.S. population will be vaccinated by July, a level health officials previously indicated would allow the economy to return to normal.
- ▲ While vaccination progress was slower in the EU, due in part to restricted use of the AstraZeneca vaccine, it is expected that 50% of the that region’s population will be vaccinated by mid 2021.
- ▲ Since the end of 2020, new variants have posed threats to parts of the emerging world. So far, current vaccine formulations and therapeutics have shown to be effective against serious illness, as vaccine makers attempt to stay ahead of virus mutations.



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Global Economic Lift Off

- ▲ Worse case pandemic fears of severe illness and death eased during the first quarter, permitting economies a measured approach to reopening. First quarter indicators pointed to a substantial improvement in economic growth in the U.S. One factor; an estimated “30% of the January (stimulus) checks (were) spent in the first month and about 10% of the March checks spent in the two weeks after receipt”*
- ▲ Globally, EU and Japan composite PMI surveys indicate improvement and signs of economic stabilization across all sectors, improving the corporate earnings outlook. Another sign of the global recovery: China’s exports increased 30.6% in March.

	2020 Low	March 2021
JPM Global Composite Services and Manufacturing Index	26.5	53.2
U.S. ISM Non-Manufacturing PMI Index	41.8	63.7
U.S. Manufacturing PMI Index	36.1	59.1
Consumer Sentiment Index	71.8	84.9
Consumer Spending (quarterly)	\$11.8T	\$13.0T
Retail Sales (month over month)	-14.7%	+9.8%
Durable Goods Orders	-18.1%	-
Unemployment	14.8%	6.0%
Core PCE Inflation (annualized)	+0.9%	+1.4% (Feb '21)
EU Composite PMI	13.6	53.2
Japan Composite PMI	25.8	49.9
China Global Exports	\$80.4B	\$241.1B







*Goldman Sachs U.S. Daily: An Update on Spending From Stimulus Checks and Pent-Up Savings, April 14, 2021
Sources: U.S. Bureau of Economic Analysis, Trading Economics, IHS Markit



Reopening Activity

Insights from U.S. data collected by Google indicate a considerable increase in activity in retail, recreation, and transportation. Workers are also moving from home offices and returning to workplaces.

Mobility Change from Baseline, February 2020

Google Mobility Data	Index Change as of 4.4.20	Index Change as of 4.4.21
 Retail and Recreation	-48%	-28%
 Groceries and Pharmacy	-15%	-11%
 Parks	-24%	+33%
 Transit Stations	-50%	-21%
 Workplaces	-37%	-23%
 Residential	+15%	+1%

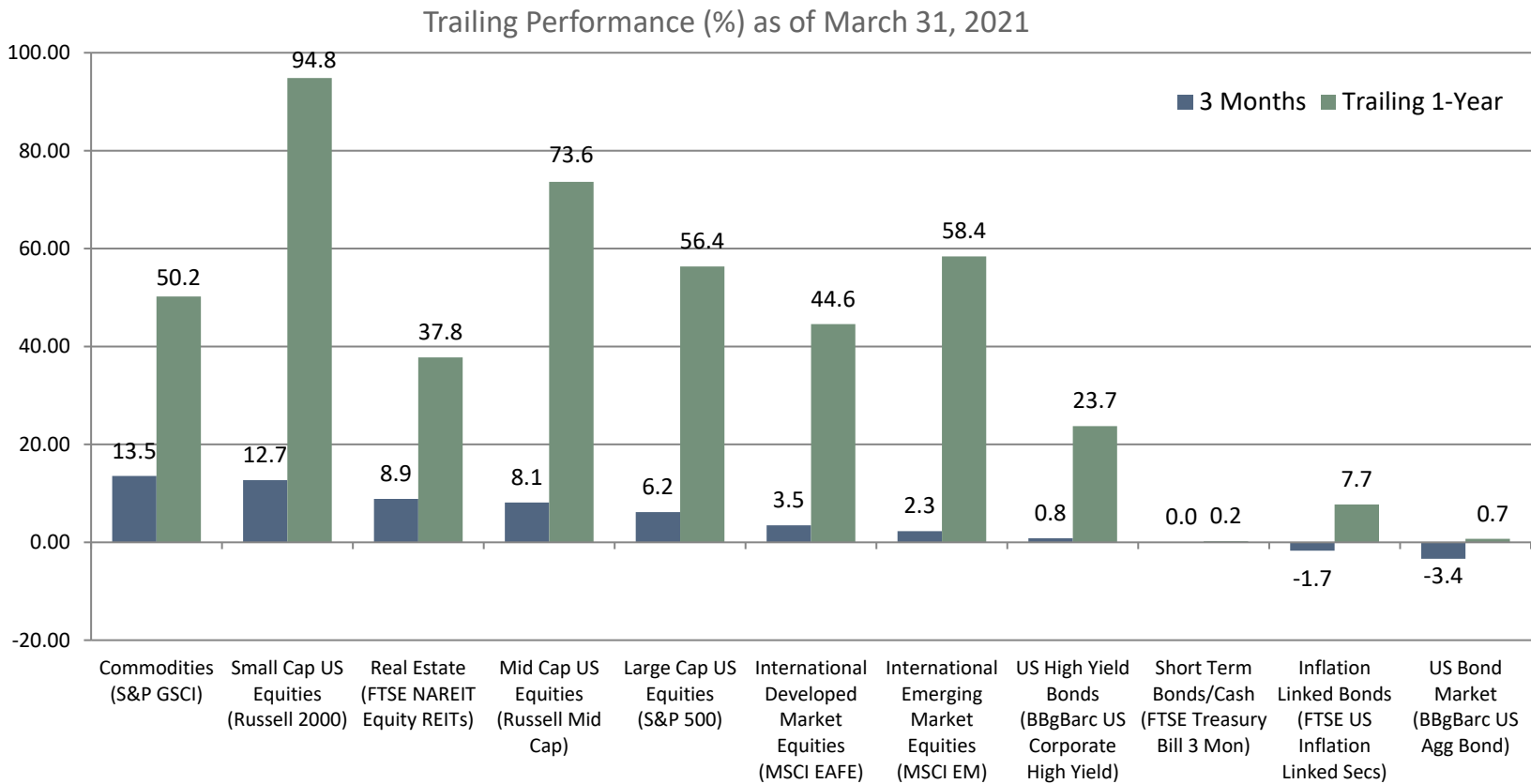
Source: Google COVID-19 Community Mobility Reports



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Asset Class Performance

- Financial markets responded to the improved outlook for economic growth, driven by substantial vaccination progress and the Biden administration’s \$2T infrastructure bill.
- Inflation expectations were the primary factor behind higher interest rates.



Trailing Performance (% annualized) as of March 31, 2021

DOMESTIC EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
Broad Market	DJ Industrial Average	8.29	8.29	53.78	13.61	15.99	13.09
	S&P 500	6.17	6.17	56.35	16.78	16.29	13.91
	NASDAQ Composite	2.95	2.95	73.40	24.54	23.44	18.22
	Wilshire 5000 Total Market	6.49	6.49	62.23	17.18	16.71	13.82
Large Cap	Russell 1000	5.91	5.91	60.59	17.31	16.66	13.97
	Russell 1000 Growth	0.94	0.94	62.74	22.80	21.05	16.63
	Russell 1000 Value	11.26	11.26	56.09	10.96	11.74	10.99
Mid Cap	Russell Mid Cap	8.14	8.14	73.64	14.73	14.67	12.47
	Russell Mid Cap Growth	-0.57	-0.57	68.61	19.41	18.39	14.11
	Russell Mid Cap Value	13.05	13.05	73.76	10.70	11.60	11.05
Small Cap	Russell 2000	12.70	12.70	94.85	14.76	16.35	11.68
	Russell 2000 Growth	4.88	4.88	90.20	17.16	18.61	13.02
	Russell 2000 Value	21.17	21.17	97.05	11.57	13.56	10.06

INTERNATIONAL EQUITY

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year	
Developed	MSCI ACWI	4.57	4.57	54.60	12.07	13.21	9.14	
	MSCI ACWI Ex USA	3.49	3.49	49.41	6.51	9.76	4.93	
	MSCI EAFE	3.48	3.48	44.57	6.02	8.85	5.52	
	MSCI EAFE Growth	-0.57	-0.57	42.59	9.84	10.84	7.21	
	MSCI EAFE Value	7.44	7.44	45.71	1.85	6.57	3.65	
	MSCI EAFE Small Cap	4.50	4.50	61.98	6.32	10.50	8.01	
	MSCI Europe	4.08	4.08	44.95	5.65	8.18	5.08	
	MSCI Europe Ex UK	3.46	3.46	48.56	7.16	9.49	5.65	
	MSCI Pacific Free	2.53	2.53	43.99	6.63	10.20	6.44	
	MSCI Pacific Free Ex Japan	4.62	4.62	53.96	7.13	9.55	5.02	
	MSCI Japan	1.57	1.57	39.73	6.32	10.47	7.20	
	Emerging	MSCI EM	2.29	2.29	58.39	6.48	12.07	3.65
		MSCI BRIC	-0.10	-0.10	48.64	6.93	14.41	3.27
MSCI EM Latin America		-5.32	-5.32	50.07	-6.05	4.04	-4.05	
MSCI EM Europe		0.66	0.66	38.64	0.20	6.33	-2.81	
MSCI EM Asia		2.16	2.16	60.13	9.45	14.48	6.63	

FIXED INCOME

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
	BBgBarc US Agg Bond	-3.37	-3.37	0.71	4.65	3.10	3.44
	BBgBarc US Government	-4.14	-4.14	-4.26	4.10	2.25	2.83
	BBgBarc US Credit	-4.45	-4.45	7.88	5.95	4.67	4.83
	BBgBarc US Govt/Credit Interm	-1.86	-1.86	2.01	4.36	2.75	2.88
	BBgBarc US Govt/Credit Long	-10.41	-10.41	-2.05	7.14	5.47	6.98
	FTSE US Inflation Linked Secs	-1.70	-1.70	7.73	5.86	3.99	3.56
	BBgBarc EM USD Aggregate	-3.48	-3.48	13.58	4.81	5.22	5.47
	BBgBarc ABS	-0.16	-0.16	4.57	3.68	2.56	2.51
	BBgBarc US MBS	-1.10	-1.10	-0.09	3.75	2.43	2.83
	FTSE Treasury Bill 3 Mon	0.02	0.02	0.21	1.45	1.15	0.60
	ICE BofAML 1-3Y US Trsy	-0.05	-0.05	0.24	2.77	1.71	1.29
	BBgBarc US Corp Aaa	-7.40	-7.40	-0.72	6.44	4.51	4.77
	BBgBarc US Corp A	-5.01	-5.01	5.24	5.79	4.25	4.72
	BBgBarc US Corp Baa	-4.16	-4.16	13.36	6.72	5.74	5.57
	BBgBarc US Corporate High Yield	0.85	0.85	23.72	6.84	8.06	6.48
	BBgBarc US HY Caa	3.58	3.58	33.33	3.61	9.30	6.22

STABLE VALUE & MONEY MARKET

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
	Median Taxable Money Market Fund	0.00	0.00	0.02	1.12	0.82	0.41
	Average Stable Value Fund	0.46	0.46	2.11	2.31	2.15	2.07
	Consumer Price Index	0.70	0.70	1.62	1.67	1.95	1.62

REAL ASSETS

	Index	3 Mos.	YTD	1 Year	3 Year	5 Year	10 Year
	FTSE NAREIT Equity REITs	8.87	8.87	37.78	9.45	5.33	8.56
	Bloomberg Commodity	6.92	6.92	35.04	-0.20	2.31	-6.28
	S&P GSCI	13.55	13.55	50.22	-4.93	1.18	-8.60

2021 Fed Outlook

- ▲ The Federal Reserve is expected to maintain the current interest rate policy until their dual mandate of maximum employment (unemployment 3.5-4.0%) and average inflation (2%) is met. Based on their forecasted growth, the Fed does not see the targets achieved until 2023.
- ▲ However, the “dot plot” survey of FOMC participants suggest some members are considering a faster pace of rate hikes, derived from accelerated growth expectations.
- ▲ Despite a rise in inflation, the Fed has managed to telegraph a consistent message of a low-rate policy while the FOMC is looking to actual progress on the central bank’s goals. Jerome Powell has consistently emphasized that he believes higher levels of inflation this year will be temporary.

Federal Reserve Summary of Economic Projections FOMC Meeting, March 2021

	2021	2022	2023	Longer Run
Change in Real GDP	6.5%	3.3%	2.2%	1.8%
Unemployment Rate	4.5%	3.9%	3.5%	4.0%
PCE Inflation	2.4%	2.0%	2.1%	2.0%
Fed Funds Target Rate	0.125%	0.125%	0.125%	2.5%

The American Rescue Plan

On March 31, 2021, President Joe Biden unveiled an infrastructure and economic stimulus program to strengthen the post-pandemic economy and the nation's transportation, waterway, and technology infrastructure:

President Biden's \$2.3 Trillion Proposal for Infrastructure and Economic Recovery

- ▲ \$621B for transportation infrastructure for bridges, roads, public transportation, airports, shipping ports, electric vehicle development (in part by building 500,000 electric vehicle charging stations) and replacing diesel transit vehicles
- ▲ \$580B for manufacturing, research and development, and workforce development/job training
- ▲ \$400B for home-based care for elderly and disabled Americans
- ▲ \$311B to improve and expand broadband access, electricity grids, and drinking water infrastructure
- ▲ \$350B to enhance schools and expand affordable/sustainable housing, including retrofitting 500,000 homes for low- and middle-income Americans
- ▲ Proposed corporate tax rate increase from 21% to 28%, which is expected to fund the cost of the program over 15 years
- ▲ Proposed increase in the global minimum corporate tax rate (GILTI) tax from 13% to 21% for multinational corporations on income earned abroad
- ▲ Forthcoming; a "human infrastructure" bill is anticipated later in the second quarter and is expected to include provisions for national paid family leave, universal pre-K, and free community college

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2021 Growth Outlook

- ▲ The combination of a gradual re-opening in the economy and a surge in consumer confidence and spending, forecasts suggest a first half economic surge will be followed by a tapering in growth in the latter half of 2021.
- ▲ The IMF World Economic Outlook forecast set U.S. real GDP growth to be 6.4%, and global growth at 6.0% for 2021. EU GDP is expected to lag at 4.4%, while growth in China is projected to be 8.4%.

Date	Estimator*	1Q Real GDP	2Q Real GDP	Recent Factors
4/10/21	Federal Reserve Weekly Economic Index	+11.74%	-	Increases in retail sales, consumer confidence, and steel production. Also reflects recent increases in electricity output, fuel sales, and rail transportation
4/16/21	New York Fed Nowcast	+6.78%	+4.43%	Improvements in employment and manufacturing, and a backlog of orders amid dwindling inventory
4/16/21	Atlanta Fed GDPNow	+8.30%	-	Increases in personal consumption expenditures and government spending during the first quarter, as well as an increase in retail sales
4/1/2021	WSJ Economic Survey (survey of 77 economists)	+5.59%	+8.15%	Low interest rates, accommodative Fed policy, and expectations for a temporary rise in CPI to 3.1% by the middle of 2021 (declining to around 2.25% thereafter)

Risk of Inflation: Base Effect or Structural Change?

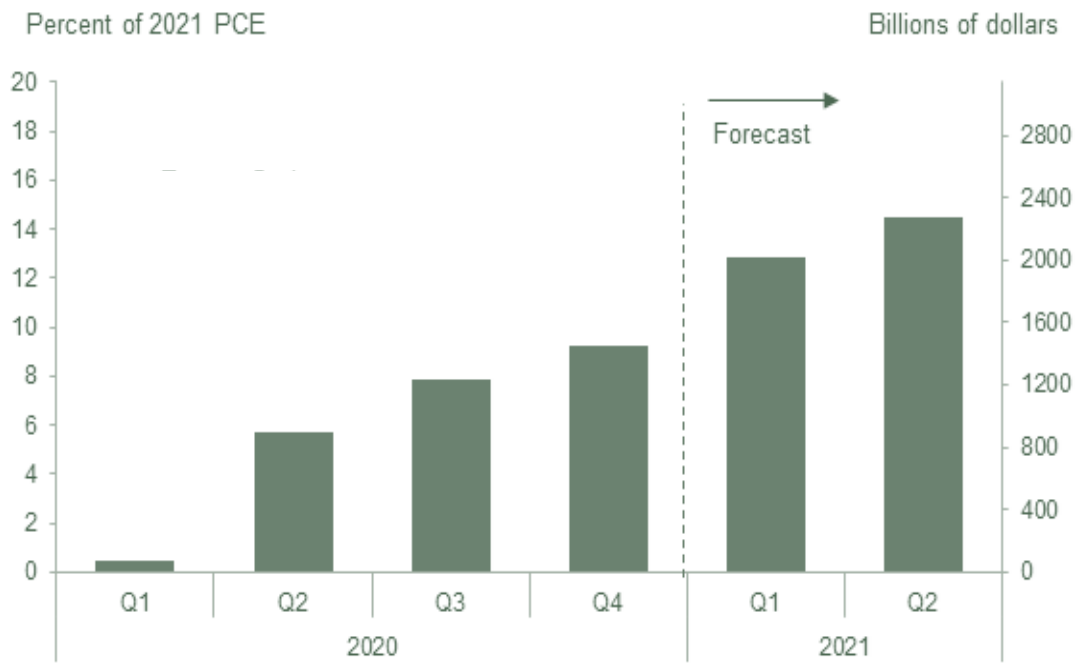
The Supply/Demand Balance

- ▲ Output prices may move higher in 2021 as manufacturing input prices are currently rising across most sectors, due to a surge in global demand for raw materials and supply chain constraints.
- ▲ Unprecedented levels of fiscal stimulus and investment wealth creation resulting from Fed policy have provided Americans with excess savings, approaching \$2.4T.

Growing Debt and Deficits

- ▲ The U.S. Federal Debt to GDP ratio currently stands around 100%, up from about 75% prior to the pandemic. The CBO expects that level to rise to 107% by 2031.
- ▲ The U.S. fiscal deficit is projected to be 16% of GDP by the end of 2021, the largest since 1945.

Cumulative Excess Savings
2020-2021



Sources: Bureau of Economic Analysis, Goldman Sachs Global Investment Research, J.P. Morgan Asset Management, Congressional Budget Office





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