April 26, 2021

Dear Clients,

US Equities increased by 6.2% in the first quarter with a new all-time high on March 26th when the S&P 500 closed at 3,975. The Barclay’s US Aggregate Bond Index, which reflects the US investment grade bond market, decreased by 3.4% as interest rates were rising.1 Interest rates have increased due to concerns that the fiscal stimulus along with the vaccine distribution will lead to higher levers of economic growth and inflation. This is reflected in the ten-year treasury yield increasing to 1.74% from a low of 0.51% in August of 2020. 2

**The Federal Reserve**

The Federal Reserve (Fed) on March 17th increased its projection for the US GDP from December’s forecast of 4.2% to 6.5% for 2021. All the while indicating a continued accommodative stance and holding the Fed rate near zero, possibly through 2023. Jerome Powell has been clear that having a full employment rate and having an inflation rate a little above two percent is needed before he will look at raising interest rates. 3

**Job Growth**

As states began to reopen partially or even fully, hiring resumed, particularly in the hospitality and leisure industry. The US Department of Labor reported that total non-farm payroll employment rose by 916,000 in March, and the unemployment rate edged down to 6.0%.4

1.Assetmark Q1 2021 Market Review 2. Morningstar article Economic Outlook 3. Federalreserve.gov/monetarypolicy

4. https://www.bls.gov/cps/

**Looking Forward**

The recovery is poised to gain steam this year, driven by the reopening of businesses, the falling unemployment rate and a big dose of fiscal stimulus. Pent up demand will help to drive global growth as vaccines are distributed around the world. Possible risks to the continued recovery include vaccine related health scare or problems related to the distribution or production. People need to feel comfortable with a return to “normal” life or the recovery could be pushed out. Also, will the tremendous amount of stimulus that was injected into the global economy generate an inflation surprise that causes central banks to tighten early, resulting in a stumble of the expansion that is happening now?

**PERS Corner**

House Bill 2867 moves to committee. It would allow Tier 1 PERS retirees to establish or re-establish Oregon residency on a quarterly basis instead of an annual basis. As an Oregon resident they would be paid a maximum tax remedy of 9.89% of their member benefit. For more information please refer to <https://www.oregon.gov/pers/RET/Pages/Tax-Remedy-Information.aspx>.

Thank you for the trust you have placed in us and we will continue to work hard to navigate the challenges and opportunities on your behalf. We look forward to discussion your evolving financial goals, as well as reviewing the mixture of asset allocation approaches within your portfolio, as we seek to keep your investment plan aligned with your needs.

Sincerely,

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Kadi F. Hinz

Financial Planner\*, MSFA