

VACCINATION ROLLOUTS AND THE ECONOMY

FEBRUARY 2021

The last week of January brought volatility to equity markets to close out the month, delivering their worst performing week since October. GameStop, which we've talked about previously, presented an interesting source of news and confusion for investors, while concerns about the vaccine rollout and economic data somewhat tempered sentiment.

That said, we've passed an important milestone with respect to vaccination rollout: More people have now been vaccinated in the U.S. than have tested positive for the disease.¹ What does this mean for getting back to normal—and how fast can we expect that to happen?

QUICK TAKE

Vaccine, jobs, and policy measures will all likely have an impact on the course of 2021—and the eventual scope of economic recovery. However, some changes brought on by the pandemic could be more permanent, especially with respect to the way we work and financial impact on consumers.

Index Returns

(January 2021 and Year To Date)

Bloomberg Barclays Aggregate Bond Index US investment grade bonds	-0.72% for January*	-0.72% for the year*
S&P 500 Index Large US Equities	-1.11% for January*	-1.11% for the year*
MSCI World Index Large/mid developed world equities (ex-US, CAN)	-0.97% for January*	-0.97% for the year*
MSCI Europe Index Large/mid developed european equities	-1.44% for January*	-1.44% for the year*
MSCI Emerging Markets Index Global emerging market equities	3.09% for January*	3.09% for the year*

* As of January 31, 2021

Vaccine Impact

The current vaccine rollout is a crucial first step toward fully opening the U.S. economy. Nearly 1.4 million vaccinations are being administered per day, and almost 10% of the U.S. population has received at least one dose.² Currently, the Biden Administration has plans to purchase enough doses to fully vaccinate 300 million Americans through the summer (note that vaccines are not yet approved for those under age 16).³

A different story is unfolding in other parts of the world. At current vaccination rates, worldwide herd immunity (achieved when roughly 75% of a population is vaccinated) won't be a reality for about seven years.⁴ Vaccine refusal is also high in some places such as France, where a recent poll found that fewer than half of respondents were willing to be vaccinated.⁵

That said, broad vaccination rates could provide businesses and consumers with a path toward normalcy—at least in theory.

Jobs and Employment

While the unemployment rate fell to 6.3% in January, this was partly driven by people leaving the labor force entirely—not a great trend.⁶ Additionally, almost 40% of unemployed Americans have been out of work for over 6 months;⁷ overall, almost 10 million jobs have been lost to the pandemic.⁸

The hope is that employment starts to come back with wider vaccination, but it might just be a starting point. Americans owe about \$200 billion in unpaid financial obligations, ranging from rents to personal loans. While borrowers have enjoyed short-term help thanks to both to policy measures and lenders, this also creates a potential hurdle to a rapid return to normalcy—at least for those most affected.⁹

There is also the potential for a broad change in the nature of work. Fourth quarter gross domestic product (GDP), a measure of economic output, jumped—partly due to a leap in productivity. Is this a sign that the complexion of work (and, perhaps, demand for workers) is changing? It's currently unclear, but we think it's likely that the pandemic has shifted the norms and needs of workers and businesses in various ways. This could also have an impact on hiring practices and wages going forward—though, again, much remains to be seen.

Policy Support

Both the vaccine rollout and jobs situation will, of course, continue to be influenced by policy.

The Biden Administration's American Rescue Plan (ARP), which we reviewed in a recent [white paper](#), is currently with Congress. The ARP seeks to provide additional fiscal support for vaccine distribution, local and state governments, businesses, and individuals to successfully move past the upcoming stretch of the pandemic.

As of this writing, the first of two budget resolutions has been approved, opening the door for budget reconciliation. This, in turn, means that the ARP will require a simple majority vote to pass.¹⁰

Finding Normalcy

So, what does all this mean for getting our country back to normal? We consider the afore-mentioned issues because of their wide-ranging influence—and the difficulty of making predictions about them.

It's entirely possible that we'll see a surge in consumer spending and sentiment this year as the economy reopens, but we could also see continued unemployment in some sectors and a degree of financial stress for some time ahead. Both could also happen at the same time.

For example, it's entirely possible that we'll see a surge in consumer spending and sentiment this year as the economy reopens, but we could also see continued unemployment in some sectors and a degree of financial stress for some time ahead. We think it's entirely possible that these two things could, in fact, happen at the same time.

As we all know, if a different strain of the virus proves to be resistant to vaccines, our economic outlook will quickly change.

For now, it's looking like we'll experience a jump in economic growth this year while also contending with remaining uncertainties of the pandemic and its impact on consumers and businesses. To that end, we continue to advocate for the same prudence, patience, and planning that we always recommend. While the market, economy, and state of the world can change, we believe that a methodical approach is always best. If you need to raise cash, it is always best to sell from a position of strength, so please schedule a call with us so that we can review your projected goals and needs for 2021.

If you have any questions about these issues, please don't hesitate to reach out. We're here to help and offer guidance in any way we can.

The Los Angeles County Department of Public Health has a website you can visit for more information about vaccination availability and progress.

[Click here to visit!](#)

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Asset Allocation and Diversification do not guarantee a profit or protect against a loss.

The Bloomberg Barclays U.S. Aggregate Bond Index measures the investment-grade U.S. dollar-denominated, fixed-rate taxable bond market and includes Treasury securities, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities.

The S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market.

The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries and covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets countries in Europe and covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Emerging Markets Index captures large and mid-cap representation across 26 emerging markets countries and covers approximately 85% of the free float-adjusted market capitalization in each country.

Gross domestic product (GDP) is a monetary measure of the market value of all the final goods and services produced in a specific time period. GDP is the most commonly used measure of economic activity.

SOURCES

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Performance table sources:

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