JSF FINANCIAL

A RETURN TO OPTIMISM

APRIL 2021

Despite some volatility towards the end of March, the Dow and S&P 500 hit new highs this quarter. Earnings for S&P 500 companies are forecasted to have grown 23% for the first quarter,[1] and the economy added nearly 1 million new jobs in March.[2] The vaccine rollout has gained momentum, with an average of 2.8 million daily doses administered in the last week of March. California expects to reopen completely by the end of June.[3]

Despite continued scarring from the pandemic on families and businesses both here and abroad—and continually high tallies of daily COVID-19 infection rates and deaths[4]—there are emerging signs that there is a light at the end of the tunnel in this pandemic. In this quick note, we'll take a look at what's happening with jobs and the economy.

QUICK TAKE

Jobs growth took off in March, while language around economic prospects has gotten increasingly optimistic. We're expecting more of the same as U.S. vaccination rates rise and local economies start reopening. Of course, while we share in the excitement for a return to something resembling normalcy, we also continue to advise prudence and a degree of caution going into the recovery and rebound.

Index Returns
(March 2021 and Year To Date)

Bloomberg Barclays Aggregate Bond Index US investment grade bonds	-1.25% for March*	-3.37% for the year*
S&P 500 Index Large US Equities	4.24% for March*	5.77% for the year*
MSCI World Index Large/mid developed world equities (ex-US, CAN)	3.38% for March*	5.04% for the year*
MSCI Europe Index Large/mid developed european equities	3.19% for March*	4.21% for the year*
MSCI Emerging Markets Index Global emerging market equities	-1.49% for March*	2.34% for the year*

* As of March 31, 2021

Jobs Growth

In February, job openings in the U.S. hit a two-year high, with 7.37 million positions available, exceeding expectations and reflecting growing optimism among employers.[5] Two hurdles to getting those jobs filled are vaccination availability and childcare (not to mention continued restraints on economic activity), but the trend is positive: in March, the economy added 916,000 jobs.[6] That's the highest level of jobs growth in seven months.

At the same time, the unemployment rate fell to 6% and the broader "underemployment" rate, which includes discouraged workers and those unable to find full-time jobs, fell to 10.7%.

We're expecting the rebound to continue as vaccination rates accelerate and in-person learning returns. The $1.9 trillion stimulus package that went into law in March will also help, given its expanded support for both businesses and households.[7]

Interested in more on the economy and policy? Keep an eye out for our next webinar, a look back at President Biden's first 100 days in office!

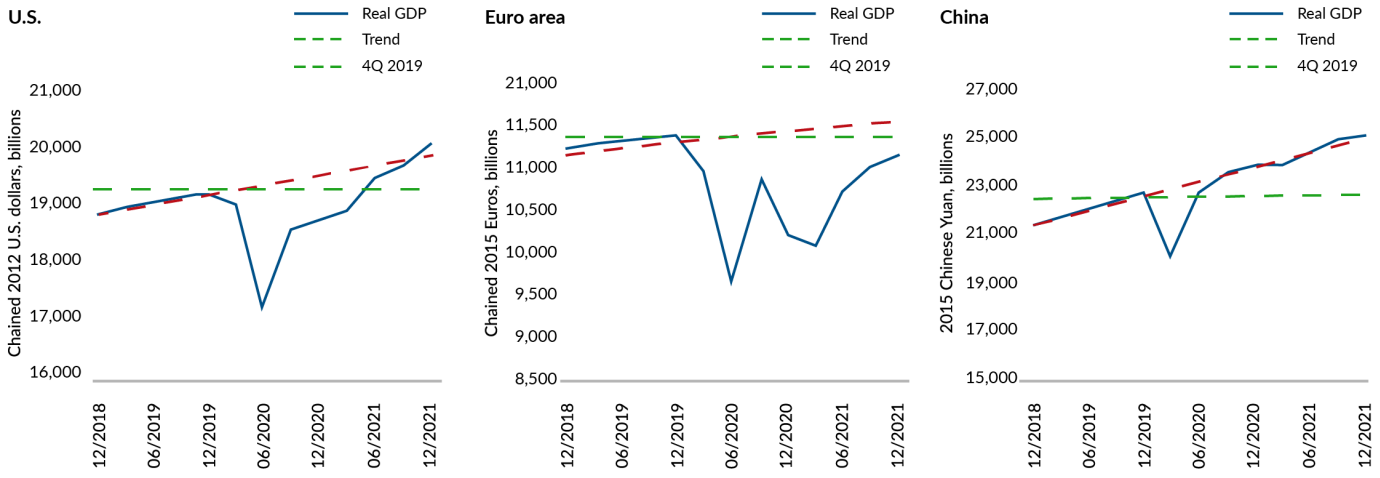
The Next Economic Cycle

Where do we go from here? BlackRock sees the possibility of a "powerful" economic cycle arising out the pandemic, fueled by the economic relief efforts. As of March 2021, the federal government provided four times the amount of fiscal support in the wake of the pandemic than it did in the Global Financial Crisis.[8]

Jamie Dimon, chief executive of JPMorgan, is similarly optimistic, describing the outlook as a possible "Goldilocks" moment of rising growth, moderate inflation, and moderately increasing interest rates. He noted in a letter to shareholders that consumers and large companies alike are holding significant amounts of cash—once deployed, they could provide further momentum for economic growth.

Projected Path of Real GDP in the U.S.

PIMCO forecasts that U.S. economic activity will return to pre-recession levels in the second half of 2021



Source: Haver Analytics, PIMCO as of December 2020

Of course, there have been concerns about the impact of the rebound and government stimulus on inflation. Bond manager PIMCO expects only moderate inflation this year—even with the rebound, there are likely to be lingering effects on spending and prices, and unemployment is still very elevated compared to pre-pandemic levels.

Where Do We Go From Here?

We do expect to see positive sentiment over the coming quarter as more Americans get the COVID-19 vaccination and economies reopen. Of course, as anyone who's spent a lot of time at home this past year could probably attest, the transition might be a little rocky and unpredictable. As new information arises and the full trajectory of the recovery becomes a little more clear, we could see similar volatility in markets as well.

Of course, we may not have fully processed the implications of the pandemic on individuals and work, either. Globally, about 150 million people have fallen out of the middle class (the first fall in three decades), and despite immense fiscal support in the U.S. there could be lingering effects from the pandemic that only come to light later on—those could include any number of economic, social, or public health implications.

Are you planning to travel this summer? Take a look at the CDC's most recent guidance about traveling in the wake of the pandemic.

CDC Travel Guidelines

As we often advise, we believe that prudence and a degree of caution are as much warranted now as ever. However, that said, we are optimistic about the coming quarter and, hopefully, a return to a more familiar world and an enjoyable spring.

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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