Email Body 3-29-2021

I hope all of you who reside here in sunny, southern California had the opportunity to enjoy the beautiful weather we had this past weekend. I can tell you from my own experience that the beaches were wonderful! With the vaccination pace increasing I am definitely seeing more people out and about and traffic on the highways seems almost back to pre-Covid levels. We are set for more sunny days as we head into Easter weekend. Please continue to support your local and small businesses as they were the hardest hit. Stay safe and enjoy your family and friends during this coming holiday!

Covid-19 conditions continue to improve as vaccinations continue apace. Seven-day average daily case infections in both the County and State peaked in early January and the decline in case growth stands at 94%. Covid-19 hospitalizations in both the County and State have also seen declines of more than 89% and 90%, respectively. Over 1.22 million San Diego County residents (about 36% of the County population) and 11.6 million California residents (about 29% of the state population) have received at least their first vaccine shot. This represents a 13% increase from seven days ago in the total people in California who have received at least their first vaccine shot. If vaccination in California continues at this rate (e.g., assuming people are willing) we could reach a level of about 70% of Californians who have received at least the first shot in about eight weeks. In the attached article Brad MacMillan reports that nationally, we have seen a slight uptick in case growth and hospitalizations. He attributes this to several states re-opening as well as possibly from Covid variants. San Diego county and California continues to see case growth and hospitalizations drop but we also just relaxed restrictions. Soon we may also see some leveling or even a slight resurgence in these data points. Hopefully, vaccination progress will prove to be a wall through which Covid is stopped. From a medical perspective this is all good news and assuming the trends largely continue, we should see restrictions further relaxed.

Economic data coming in over the past week continues to be positive suggesting the economy is heading in the right direction. For the first time in a year, weekly new unemployment numbers fell below the 700,000 level. Vaccine progress and continued easing of restrictions at the state level should see this number continue to decrease. March’s manufacturing and purchasing manager indexes came in slightly below expectations but on an absolute basis were well in expansion territory. While personal income levels fell in February the $1.9T fiscal stimulus legislation signed into law will impact this number in March. Interest rates dropped slightly last week with ten-year treasury bonds settling at 1.67%. Inflation fears exacerbated by the positive economic effect of State re-openings and a global microchip shortage, seem to be overdone. Core inflation (as measured by the personal consumption expenditure price index) is decelerating. This may reverse in the short-term as stimulus checks arrive and the employment picture improves but the long-term demographic trends (e.g. older populations tend to spend less and save more) will be hard to overcome. Vaccination progress nationally and internationally is key to economic progress. Volatility will always be present. However, right now, things seem to be on track economically which is good news for the financial markets.

I have attached this week’s missive by Brad McMillan, Commonwealth’s Chief Investment Officer. Brad is a bit concerned that Covid case growth and hospitalizations ticked up slightly, but nevertheless, sees positive economic trends. The hope is that this slight change in virus trend is temporary and will be offset by vaccination progress. I certainly hope so!

I am always available to you via phone, zoom conference or in person. I encourage you to remain optimistic and to do what you can to contribute to growing the economy. I look forward to talking with you over the next few weeks. If you have any questions or if we can be of any help, please do not hesitate to contact Linda or me.

As always, stay safe and healthy!

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