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When the scientists said “15 days to slow the spread,” some of us actually believed that by Easter 2020 the shutdowns would end. It’s gone past Easter 2020, and Easter 2021 with many areas still locked down, a full year, and several trillions in government spending later.

On Good Friday, the Bureau of Labor Statistics released the March 2021 employment data, and payrolls increased a staggering 916,000 for the month, easily beating the consensus expected 660,000, and finally the ISM Manufacturing PMI jumped to 64.7 in March of 2021 from 60.8 in February, well above market forecasts of 61.3. It is the highest reading since December of 1983.

All indicators lead to growth and increased spending which can lead to higher prices which in and of themselves don’t cause inflation, and neither do just budget deficits. Inflation is caused by too much money chasing too few goods. So, if the government takes money from one person to redistribute it to another person, then there is no increase in overall demand. But if government prints money to fund itself, then that debt represents an increase in potential spending. And if government lifts tax rates, output can be hampered creating a situation that can lead to inflation. This is what we need to monitor over next few months and years.

Valuations are stretched on so many measures but in the meantime it works till it doesn’t work. For now people are spending and the economy is booming despite the pandemic, interest rates remain very low but are ticking higher causing bonds to struggle and is discouraging bond investment while real estate and the stock market (for now) continue to have a nice tail wind and reward investors.

Sincerely,

Darren J Luck, *CIM®* , Senior Wealth Advisor, Portfolio Manager
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We understand that you’ve worked hard, saved and sacrificed. Which is why we have been committed to helping generations of families and business owners meet their goals since 1991.

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