

April 16, 2021

Good Morning,

The economic recovery continued to pick up steam in March, driven by public health improvements and the federal stimulus checks that reached bank accounts during the month. Stocks have generally reflected the positive sentiment in anticipation of improving corporate earnings. Indeed, as Q1 earnings have begun to emerge, we are seeing fairly strong numbers – especially in the financial sector. The sharp rise in interest rates that spooked the bond market has leveled off and the yield on the 10 Year US Treasury is back to where it was a month ago. Generally speaking, things seem to be improving. Unless you worry about debt.

Why worry about the debt? During fiscal year 2020, the US government spent \$345 billion for interest payments on the national debt or \$945 million per day. Five years earlier, in fiscal year 2015, the US government spent \$223 billion for interest payments on the national debt or \$611 million a day (source: Treasury Department). While interest rates are low, many argue that this is a good time to take on additional debt for spending we've neglected for years (i.e., infrastructure). The concern is what happens when the cost of money goes up? Unless the US runs a budget surplus and uses it to pay down debt, all new debt (and refinancing of maturing debt) could have higher interest rates and those daily costs of debt will grow exponentially. With more of the budget going to debt service, what other services will be cut?

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Mother nature continues to tease us with 70-degree days three weeks ago and snow flurries last night. I look forward to eventually complaining about the heat. Enjoy your weekend regardless of the weather!

Wade

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