

May 13, 2021

Good Afternoon,

Stocks have declined recently as inflation fears pick up. April CPI data show consumer prices increased 4.2% over last year, the sharpest increase in 13 years. Is inflation really running hot, or are other factors at work? Last year prices dropped sharply as the pandemic set in and retail sales were nearly halted. Increases over last year seem pretty natural. In addition, demand is being pulled forward by record amounts of stimulus and bonus unemployment payments. Pandemic stimulus payments (to individuals) and federal unemployment benefits made up 22% of the record-setting US personal income total reported by the government for March 2021. The same 2 categories made up just 3% of national personal income in January 2020, i.e., immediately before the pandemic began (source: Bureau of Economic Analysis). So, there is a lot more money around for people who've been anxious to spend it. The trend is likely to settle down in the coming months.

U.S. job openings soared to highest level on record in March, illustrating starkly the desperation of businesses trying to find new workers as the country emerges from the pandemic and the economy expands. Yet total job gains increased only modestly, according to the Labor Department report. The service industry (i.e., hospitality and restaurants) is reporting great difficulty in attracting job applicants. Generous unemployment benefits appear to be keeping some from looking for jobs as reports of unfilled available positions are plentiful. With enhanced unemployment benefits from the Federal government, individuals are earning the equivalent of \$40,000 per year by not returning to work. The law of unintended consequences may be having a real negative impact.

The good news is that COVID cases in the US continue to drop as vaccines make their way into more American arms. The sun is finally out, and gardens are popping with colors; spring has sprung and summer is just around the corner. It's beginning to feel a bit like.....well, normal. Enjoy your week and get outdoors!

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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.

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