



AS THE ECONOMY RECOVERS THERE IS AN IMPROVEMENT IN INFLATION EXPECTATIONS BUT ITS NOT OUT OF CONTROL

INFLOWS INTO EQUITIES CONTINUED AT \$15.3BN



IMPROVING
INFLATION
EXPECTATIONS AS
THE US ECONOMY
RECOVERS &
AMERICAN
RESCUE PLAN'S
\$1,400 IN FREE
MONEY

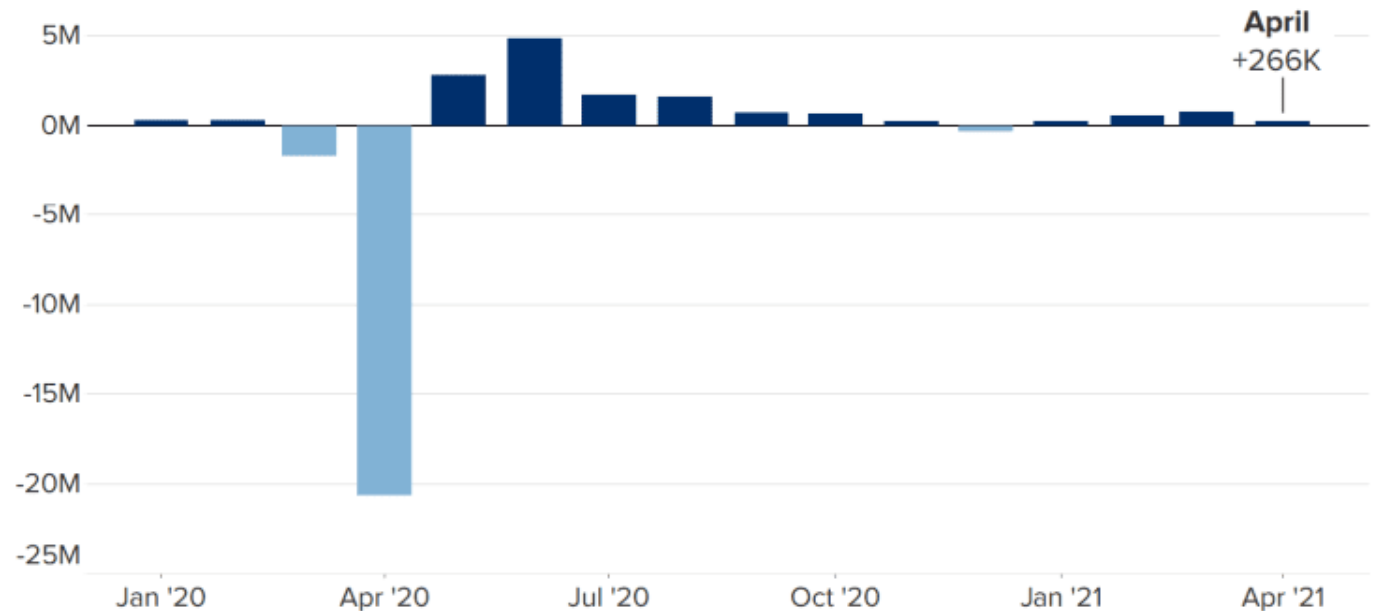
- ✓ US Consumer spending soared in Q1 2021, driving US GDP up 6.4% for the first quarter. Personal consumption expenditures were up 10.7%. This has resulted in an increase in inflation expectations in the US economy.
- ✓ The Federal Reserve has said that it is still “a long way” from withdrawing any monetary support.
- ✓ “The main spur to inflation, actual and expected, has been the extraordinary U.S. fiscal stimulus, effectively underwritten by the Federal Reserve’s ultra easy monetary policy. But after the \$1.9 trillion American Rescue Plan that gave most Americans \$1,400 in free money, the outlook for the Biden administration’s wish list of over \$4 trillion in further spending is increasingly iffy.” Barrons

PUBLISHED MAY EXPECTATIONS WERE FOR 1M NEW JOBS. MARCH TOTAL OF 916,000 WAS REVISED DOWN TO 770,000

Employment Recovery Will Be Slow

Monthly job growth

Total nonfarm payrolls, change from previous month



SOURCE: Bureau of Labor Statistics. Data is seasonally adjusted.



- ✓ The jobs recovery will be bumpy as demonstrated by the monthly numbers.
- ✓ This will be a slow process, but gradually it is recovering.

Consumers Will Return

CONSUMER
SENTIMENT FELL
IN MAY BUT
CONSUMER
SPENDING WILL
ADVANCE DUE TO
PENT-UP DEMAND
AND RECORD
SAVING BALANCES

Price Concerns

Consumer sentiment fell in early May as inflation fears mount



- ✓ Inflation expectations have risen to a 10-year high.
- ✓ This spike in inflation expectations has led to lower consumer confidence in the economy.

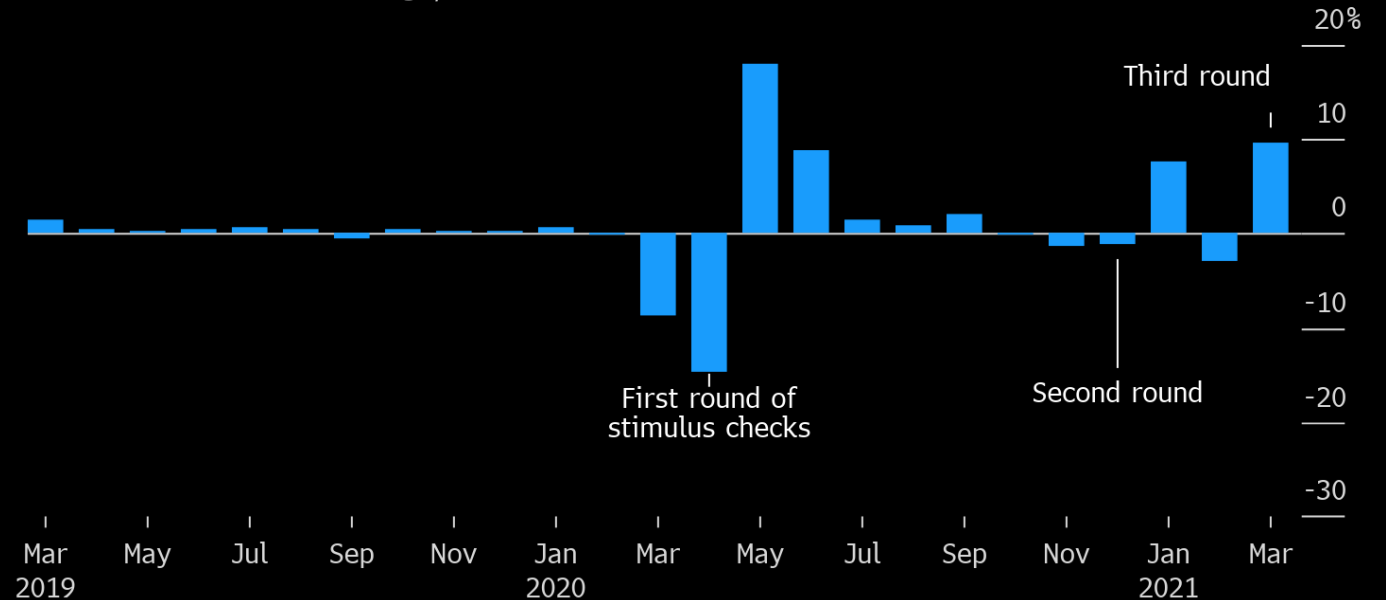
US PERSONAL
INCOME SOARED
IN MARCH 2021 BY
THE MOST IN
MONTHLY
RECORDS BACK TO
1946

Consumers Are Returning

Shopping Spree

U.S. retail sales rose at the second fastest pace on record in March

■ Total retail sales (MoM change, SA)



Source: U.S. Commerce Department

Bloomberg

- ✓ Consumers are spending again.
- ✓ This will help economic recovery and investors confidence in the markets.

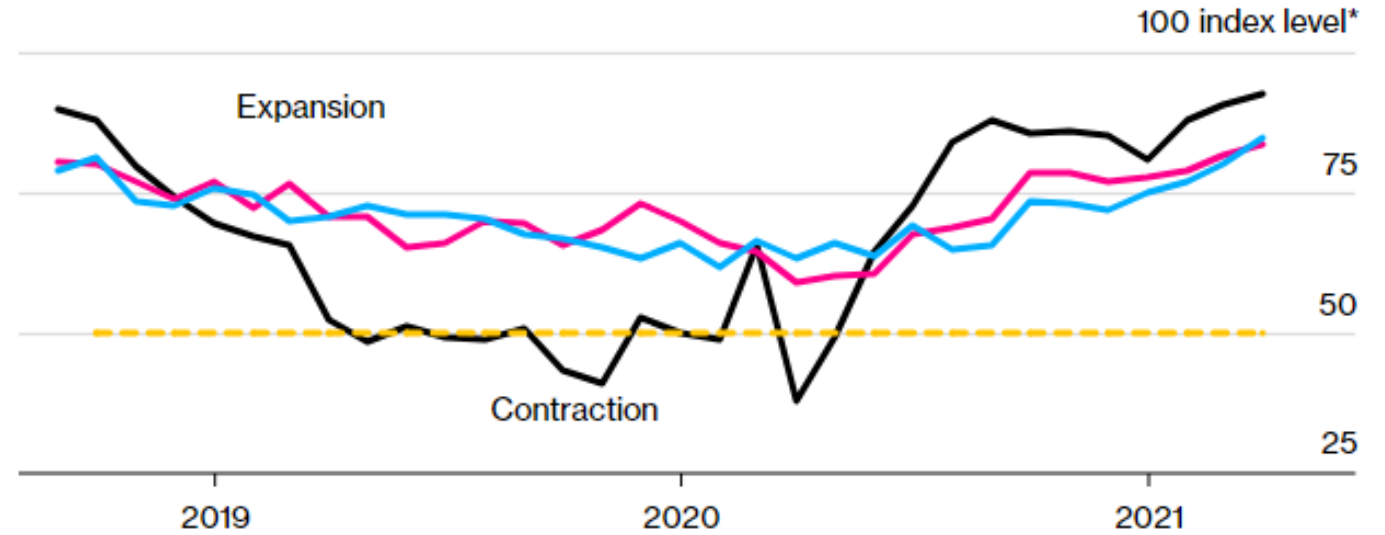
LOGISITICAL
NIGHTMARE AS
DEMAND IS
EXCEEDING SUPPLY
UNTIL SUPPLY CAN
CATCH UP WITH
DEMAND

Logistical Highs Show Consumer Confidence

A Logistical Nightmare

Transport, storage and inventory costs are near record highs in the U.S.

Transportation Warehousing Inventories



Source: Logistics Managers' Index

*The LMI is a diffusion index where 50 is the dividing line between expansion and contraction.

- ✓ An increase in employment will reverse inventory build ups.
- ✓ Costs will fall as inventories are unwound.

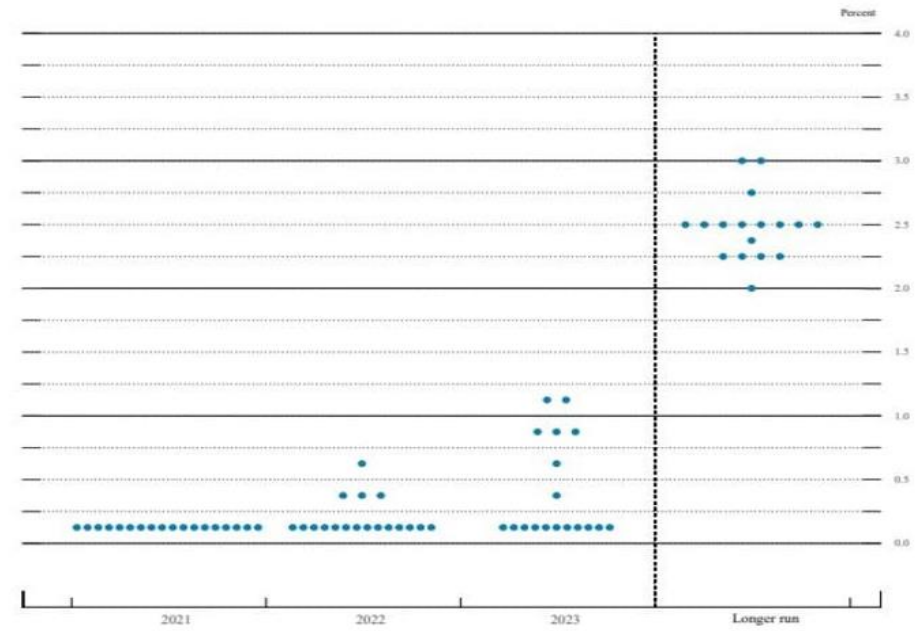
INVESTORS ADD
\$15.3 BILLION TO
ETFs IN THE WEEK
TO MAY 7, 2021

Top 10 Creations (All ETFs)

Ticker	Name	Net Flows (\$,mm)	AUM (\$,mm)	AUM % Change
SPY	SPDR S&P 500 ETF Trust	2,223.46	361,785.43	0.61%
XLFX	Financial Select Sector SPDR Fund	837.90	42,661.52	1.96%
IEFA	iShares Core MSCI EAFE ETF	819.49	92,684.19	0.88%
IVV	iShares Core S&P 500 ETF	780.65	277,686.39	0.28%
XLV	Health Care Select Sector SPDR Fund	742.15	26,757.35	2.77%
VTI	Vanguard Total Stock Market ETF	735.73	238,987.92	0.31%
IUSB	iShares Core Total USD Bond Market ETF	524.91	13,195.90	3.98%
VXUS	Vanguard Total International Stock ETF	491.05	45,592.06	1.08%
VTV	Vanguard Value ETF	478.40	79,339.73	0.60%
BND	Vanguard Total Bond Market ETF	477.15	74,426.02	0.64%

Rates expected to remain low

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



MIDPOINT OF
TARGET RANGE OR
TARGET LEVEL FOR
THE FEDERAL
FUNDS RATE

- ✓ The FOMC “dot plot” suggests no rate increases until 2022.
- ✓ Interest rates look set to rise at a slow pace.

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