



# INFLATION IS NOT GOING TO BE A CONCERN

FED STIMULUS CHECKS HELPED THE ECONOMY, CAUSING INFLATION TO SPIKE, BUT WON'T CAUSE LONG TERM INFLATION



INFLATION  
EXPECTATIONS  
HAVE CALMED  
SIGNIFICANTLY  
SINCE THE  
PAYMENT OF THE  
MARCH  
AMERICAN  
RESCUE PLAN  
\$1,400 CHECKS

- ✓ Inflation expectations have calmed since the spike in US consumer spending in Q1, 2021, driving US GDP up 6.4% that quarter.
- ✓ This was in large part effected by the \$1,400 stimulus checks from the Federal Reserve that caused Personal Consumption Expenditure to rise 10.7%.
- ✓ “The main spur to inflation, actual and expected, has been the extraordinary U.S. fiscal stimulus.” Barron’s.
- ✓ US Retail sales were flat in April 2021 missing economists 1% median forecast. The economy still slowly recover without the fear of inflation. Inflation expectations have moderated between 2026 and 2031.
- ✓ Inflows continue into Technology Stocks and US Equities.

## Inflation Is Calming Down

MARKET-BASED  
INFLATION  
EXPECTATIONS ARE  
LOOKING CALMER  
AND BACK TO THE  
KIND OF LEVEL THE  
FED WILL BE  
HAPPY TO ACCEPT



- ✓ Expectations for future inflation are moderating.

US PERSONAL  
INCOME SOARED  
IN MARCH 2021  
RISING INFLATION  
EXPECTATIONS

## Consumers Returned In March



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

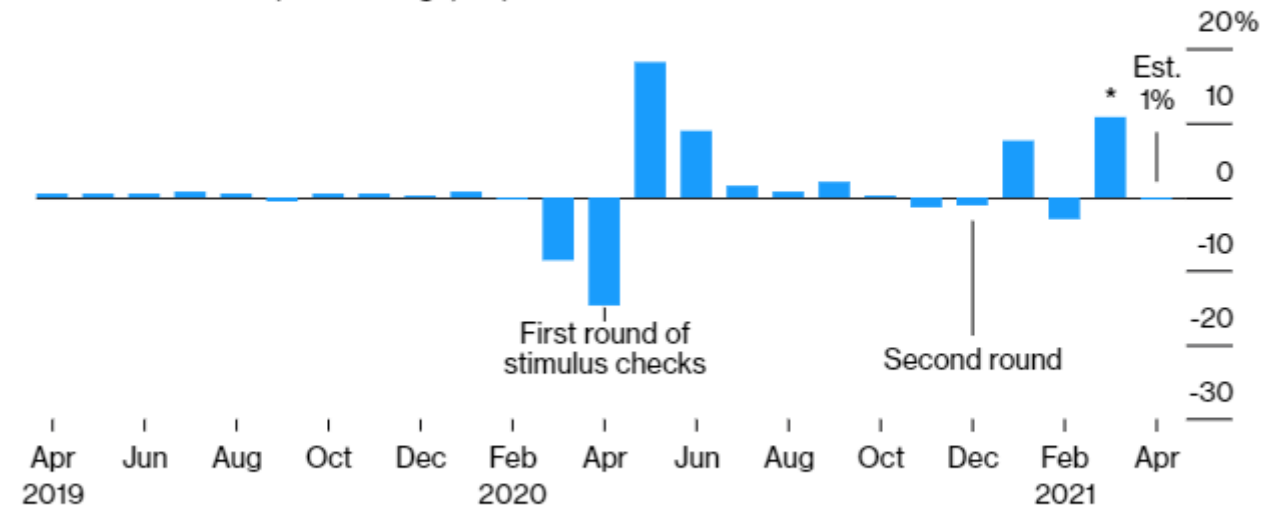
RETAIL SALES  
STALLED IN APRIL  
2021 AFTER THE  
SPENDING FROM  
THE MARCH  
PANDEMIC-RELIEF  
CHECKS WHICH  
CAUSED THE  
INCREASE IN  
SPENDING

## Consumers Slowed Their Spending In April

### Downside Surprise

U.S. retail sales were flat in April, missing economists' 1% median forecast

■ Total retail sales (MoM change, SA)



\* Third round

Source: U.S. Commerce Department

- ✓ Consumers spent their stimulus checks in March.
- ✓ April saw a return to a more normal spending pattern.
- ✓ Slower consumer spending will slow inflation.

# CONSUMER SENTIMENT MODERATED IN MAY 2021

## Inflation Fears Hit Consumer Sentiment

### Price Concerns

Consumer sentiment fell in early May as inflation fears mount



- ✓ As prices rose, consumers slowed their purchasing.

## Yield Curve Stays In Check

THE YIELD CURVE –  
WHICH IS DRIVEN  
IN LARGE PART BY  
INFLATION  
EXPECTATIONS – IS  
NO STEEPER THAN  
IT WAS IN EARLY  
MARCH

### When Things Feel A Little Flat...

After a sharp steepening, the yield curve is barely changed in 3 months

■ Market Matrix US Sell 2 Year & Buy 10 Year Bond Yield Spread - Ask Price



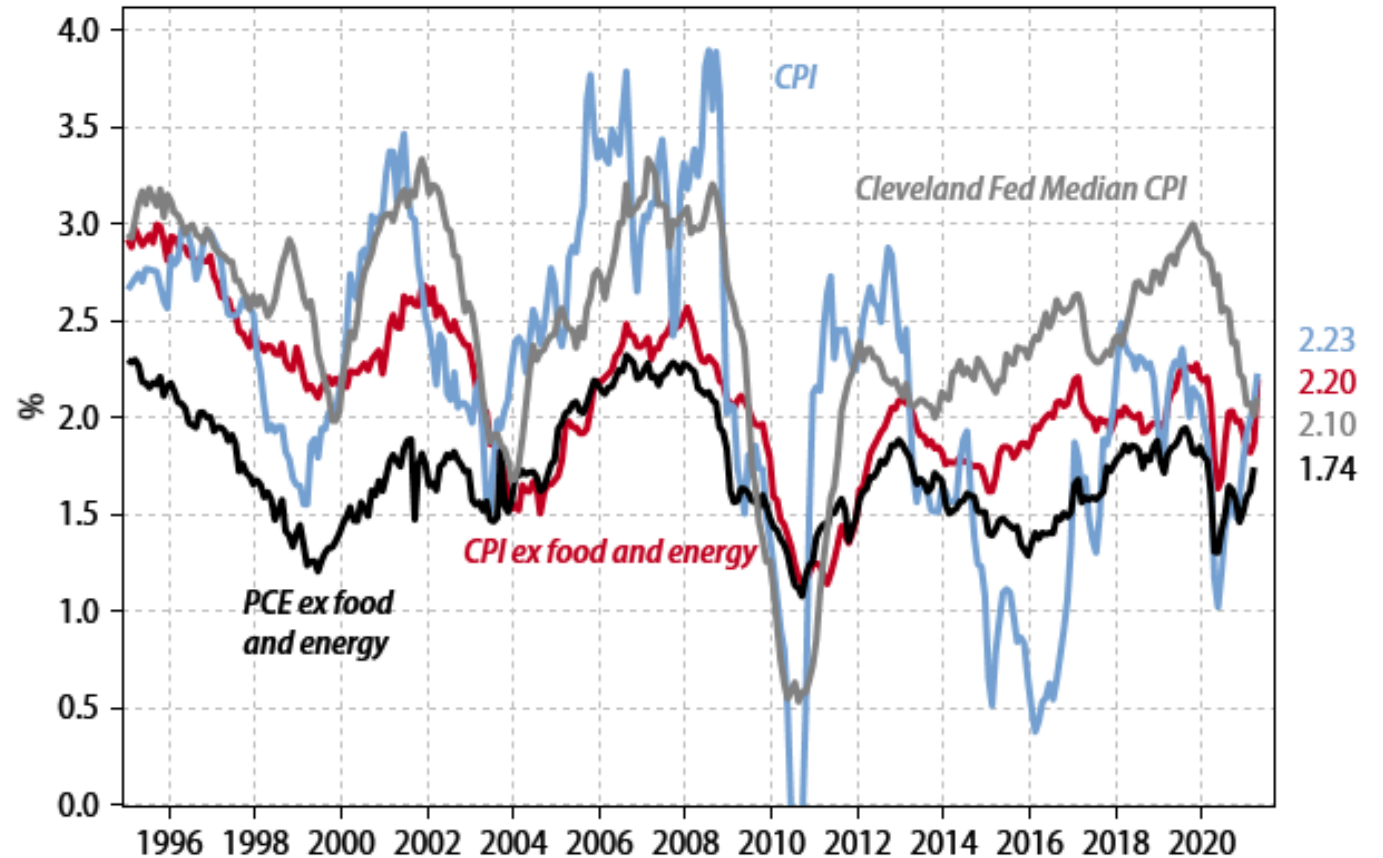
Source: Bloomberg

- ✓ The yield curve lifted on inflation concerns earlier this year.
- ✓ Over the last 3 months the curve has been range bound.

THERE IS LITTLE  
REASON FOR  
INFLATION  
CONCERN WHEN  
LOOKING AT THE  
AVERAGE OVER  
THE PRECEDING  
TWO YEARS

(ADJUSTS FOR THE DECLINE AND ACCELERATION  
OF INFLATION EXPECTATIONS DUE TO COVID)

US underlying inflation: what the Fed sees



Gavekal Research/Macrobond

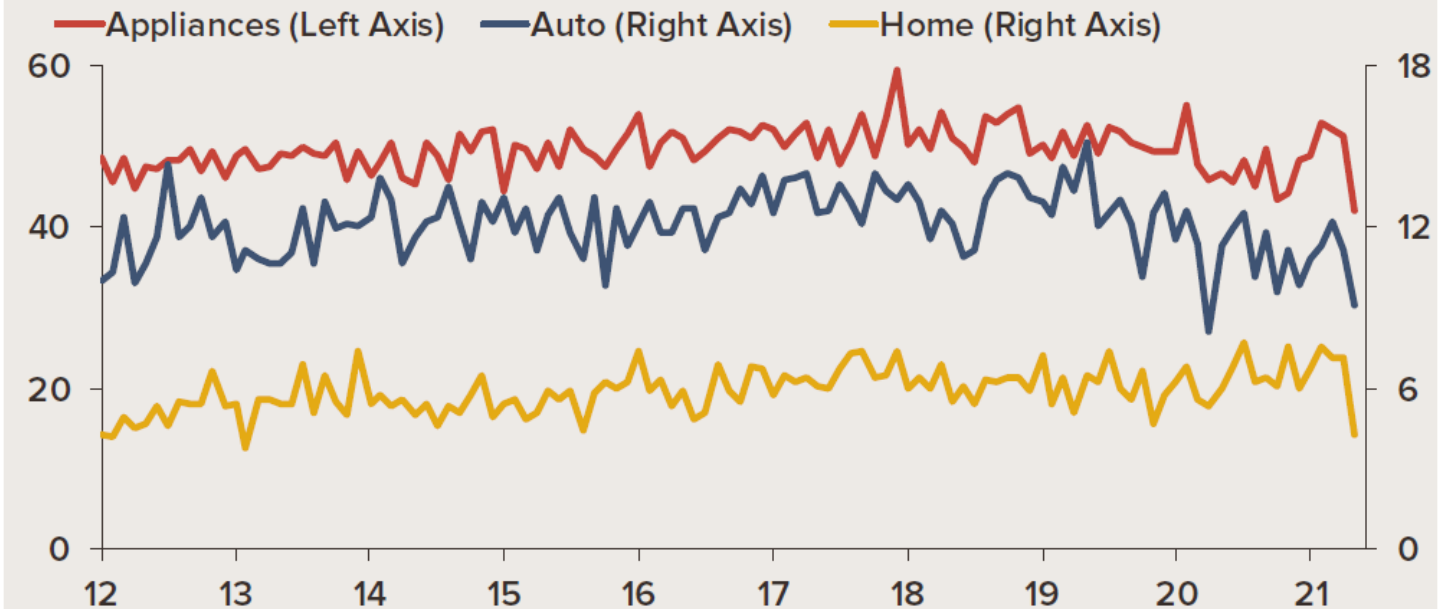


## Consumers Suggest Buying Will Slow

CONSUMER'S  
PLANS TO BUY A  
RANGE OF ITEMS  
WITHIN THE NEXT  
SIX MONTHS HAVE  
ACTUALLY FALLEN  
SLIGHTLY

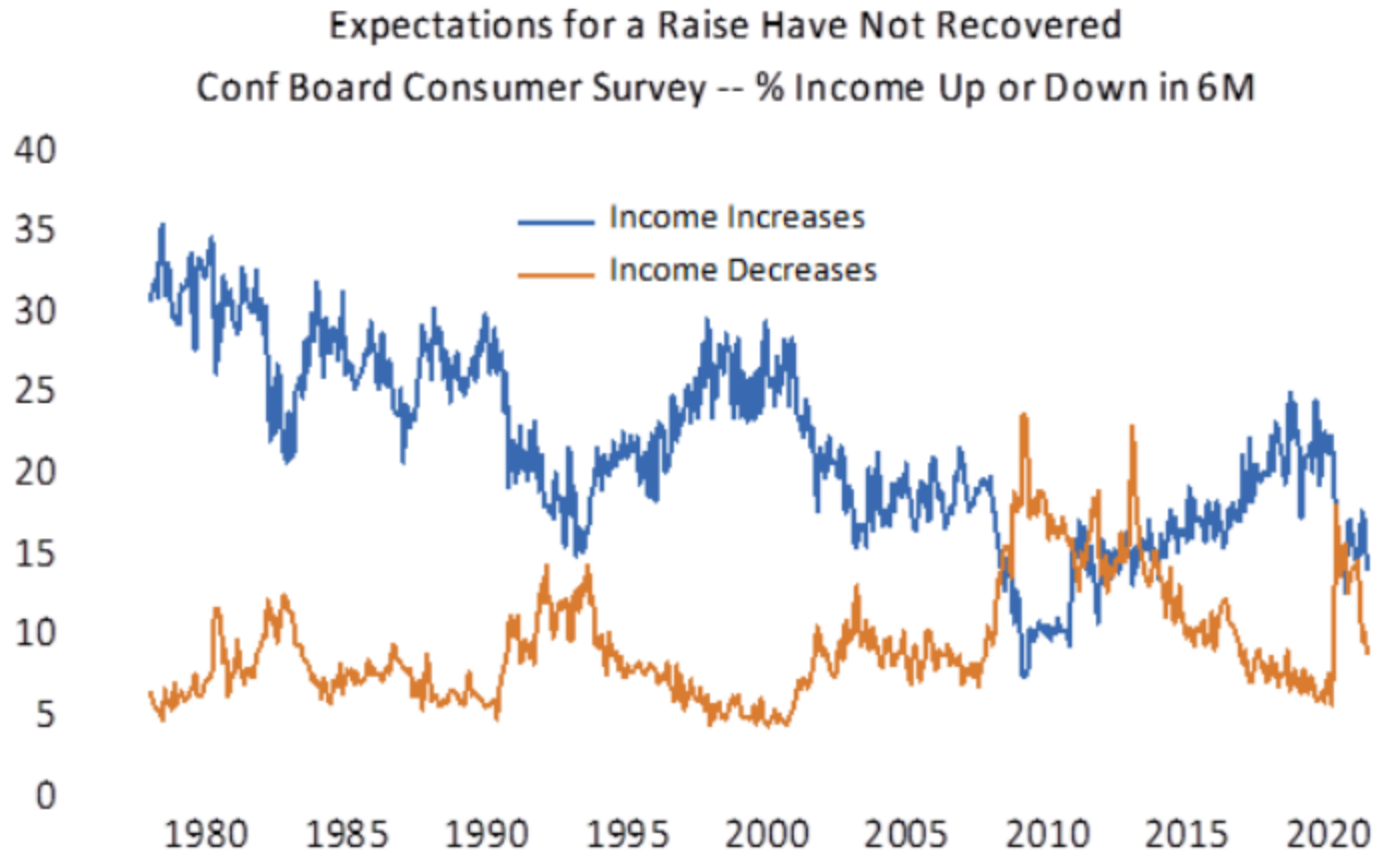
### Moderation In Buying Plans

Consumer Confidence, Plans To Buy Within 6 Months



- ✓ Surveys indicate consumers expect to slow their purchases later this year.
- ✓ This may be a result of the stimulus checks running out.

THERE IS NO SIGN  
HERE OF A WAGE-  
PRICE CYCLE AND  
THEREFORE LITTLE  
REASON TO BE  
ALARMED BY ANY  
POSSIBLE PICKUP  
IN STRUCTURAL  
INFLATION



INVESTORS ADDED  
\$2.4 BILLION NET  
TO TECHNOLOGY  
ETF QQQ IN THE  
WEEK ENDING ON  
14, MAY 2021

Ticker	Name	Net Flows (\$,mm)	AUM (\$,mm)	AUM % Change
QQQ	Invesco QQQ Trust	2,411.25	152,762.89	1.58%
VOO	Vanguard S&P 500 ETF	1,552.89	216,092.90	0.72%
SPY	SPDR S&P 500 ETF Trust	1,182.90	354,049.23	0.33%
IEFA	iShares Core MSCI EAFE ETF	1,088.35	92,378.93	1.18%
RSP	Invesco S&P 500 Equal Weight ETF	814.92	27,352.42	2.98%
VLUE	iShares MSCI USA Value Factor ETF	781.15	15,994.91	4.88%
MDYV	SPDR S&P 400 Mid Cap Value ETF	729.15	2,230.65	32.69%
SPYV	SPDR Portfolio S&P 500 Value ETF	607.87	12,307.67	4.94%
VTV	Vanguard Value ETF	583.59	78,978.79	0.74%
XLV	Health Care Select Sector SPDR Fund	571.45	27,037.00	2.11%

INVESTORS ADDED  
\$11.6 BILLION NET  
TO US EQUITIES IN  
THE WEEK ENDING  
ON 14, MAY 2021

	<b>Net Flows (\$, mm)</b>	<b>AUM (\$, mm)</b>	<b>% of AUM</b>
<b>U.S. Equity</b>	11,595.82	3,533,097.63	0.33%
<b>International Equity</b>	4,692.27	1,204,892.54	0.39%
<b>U.S. Fixed Income</b>	1,487.81	1,005,288.14	0.15%
<b>International Fixed Income</b>	767.17	136,334.48	0.56%
<b>Commodities</b>	927.83	140,719.29	0.66%
<b>Currency</b>	-8.89	1,766.87	-0.50%
<b>Leveraged</b>	856.96	53,936.01	1.59%
<b>Inverse</b>	165.68	11,819.34	1.40%
<b>Asset Allocation</b>	21.00	15,156.83	0.14%
<b>Alternatives</b>	-9.38	6,443.94	-0.15%
<b>Total:</b>	<b>20,496.26</b>	<b>6,109,455.08</b>	<b>0.34%</b>

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