Email Body 3-1-2021

Welcome to March 2021 and I hope you all are beginning to see better and warmer weather as we approach the beginning of spring. New life in all its forms is truly amazing. I got to see my new grandson this past weekend and was reminded of how significant the transition from newborn to four-month-old is in terms of personality and temperament. Take advantage of opportunities to safely gather with friends and family and continue to patronize local establishments to help them survive both the virus and our government.

I know this may seem repetitive but San Diego County and State of California Covid-19 case growth numbers and related hospitalizations continue to drop. Seven-day average daily case infections in both the County and State peaked in early January and have now fallen by 90%. Covid-19 hospitalizations in both the County and State have also seen declines of more than 70% since the peak in mid-January. Over 900,000 San Diego County residents (about 27% of the County population) and 9.1 million California residents (about 23% of the state population) have received at least their first vaccine shot. Based on fatality and infection rate data, medical experts believe that up to 60% of the population may have already been infected with the Covid-19 virus, meaning that many may now have natural immunity to the virus. They suspect that this potential level of natural immunity combined with the accelerating vaccination program here in the U.S., is largely responsible for the sustained decline in case levels and hospitalizations over the last few weeks. With the addition of the Johnson & Johnson one-shot vaccine regimen to the U.S. Covid-19 arsenal, more positive outcomes should begin to accelerate.

Interest rates rose last week on investor sentiment for a rapid economic recovery and possibly higher inflation. This caused traders to fear that the Federal Reserve Bank may begin tapering its quantitative easing (QE) policy to combat inflation. The result was a volatile stock market that declined about 2.5% last week before interest rates dropped slightly at the end of the week. Fed Chairman Powell reiterated his continued support for the current QE policy in testimony before Congress and interest rates are still at historic lows, giving the Fed policy flexibility. Economic fundamentals continue to remain strong with February’s consumer confidence reading exceeding expectations. Sentiments about the jobs markets also improved. Risks to the markets remain with COVID-19 virus variants and oscillating inflation expectations, however, sentiment driven corrections that occur over the next weeks and months should be short-lived. Economic and earnings growth should continue to climb as the economy reopens and generate investor confidence. Also, while the long-term effects of the $1.9 trillion stimulus bill passed last Friday by the House may be called into question, it will no doubt be a positive to the economic recovery in the short-term.

I have attached last week’s letter by Brad McMillan, Commonwealth’s Chief Investment Officer. He provides the details about the virus’ status nationally and is optimistic about both the medical and economic trends in the medium and longer terms.

I am always available to you via phone, zoom conference or in person. I encourage you to remain optimistic and to do what you can to contribute to growing the economy. I look forward to talking with you over the next few weeks. If you have any questions or if we can be of any help, please do not hesitate to contact Linda or me.

As always, stay safe and healthy!

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