Email Body 4-5-2021

I hope you all had a happy Easter weekend with friends and family. It marked the end of a busy week and a calendar quarter. There is a lot of good news ahead, but the risks remain. Please continue to support your local and small businesses as they were the hardest hit. Stay safe and enjoy your family and friends during this coming holiday!

Vaccinations continue to accelerate in California and across the nation. It is being reported that not only are the vaccines effective against the variants (including the “dreaded” double mutant strain) but that they are proving to be effective at preventing infection. Covid-19 conditions continue to improve as vaccinations continue apace. Seven-day average daily case infections in both the County and State have ticked sightly back up over the last week. This is not unexpected as the state has relaxed restrictions over the past two weeks. The good news is that Covid-19 hospitalizations in both the County and State continue to decline to their lowest levels since the beginning of the pandemic. Hopefully, this is an indication of the effectiveness of the vaccination program and treatment regimens developed over the last year. Over 1.38 million San Diego County residents (about 42% of the County population) and 13.3 million California residents (about 33% of the state population) have received at least their first vaccine shot. This represents a 13% increase from seven days ago in the total people in California who have received at least their first vaccine shot. At the current vaccination rate, we should reach about 70% of Californians who have had at least one dose in about eight to nine weeks assuming no glitches in the delivery process. From a medical perspective this is all good news and assuming the trends largely continue, a positive for the economy and the financial markets.

The good economic news just keeps rolling in. March’s consumer confidence reading reached 109.7 beating expectations by 14 points. The ISM Manufacturing Index reached a 37-year high of 64.7 indicating a significant surge in manufacturing orders and production. The U.S. added 916,000 new jobs in March (i.e., versus 660,000 expected) a significant portion of which were in the hospitality sector. Interest rates appear to have settled in a trading range meaning that the bond market is satisfied with the Federal Reserves statement indicating inflation is not a significant concern for now. Combined with the recently passed and signed into law $1.9T stimulus package and a recently unveiled $2T infrastructure proposal, the markets are getting set for a very, healthy economic rebound. With all this good news it is important to remember that volatility is still very much in play as the path of the virus and vaccines will continue to be a driver of market behavior for at least the next few months. There is plenty of reason to be optimistic but any hiccup in the process could cause the markets to react negatively. So be prepared for volatility by making sure your allocation strategy reflects your objectives.

Brad McMillan, Commonwealth’s Chief Investment Officer, did not publish a report this week however, I will pass on his thoughts when they become available.

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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