Email Body 6-9-2021

**Medical and Economic Trends Are Positive**

It sure looks to me like we are coming near the end of a long road that has been this “pandemic”. My concern is that the powers that be will find another “road” soon for us to travel along. The medical numbers as you will see are decidedly encouraging and surely supportive for dropping mandatory restrictions, however, protocol recommendations will likely remain with us for a long time. Underlying economic trends are very positive although volatile as we open up states and re-start the economic engines. Supply chain logistics and unemployment incentives are creating some havoc, but they will ultimately be ironed out. Overall, it is exceptionally good news, and we should be encouraged about the near future.

Medically, San Diego County, California and the U.S. are improving significantly. San Diego County’s seven-day average daily virus case rate stands at 76 with a corresponding positivity rate of 0.82%. California saw its seven-day average virus case rate fall to 886. That is the first time it has been below 1,000 since I started tracking this over 14 months ago. Covid-19 “associated” hospitalizations in San Diego County currently stand at 92 which is likewise below 100 for the first time. California hospitalizations dropped 1,278, also a record low. Almost 2.3 million San Diego County residents (about 69% of the County population) and 22.1 million California residents (about 55% of the state population) have received at least their first vaccine shot. The seven-day average rate of vaccination in San Diego County has dropped over the last two weeks from about 10,000 shots per day to 6,700. California’s seven-day average rate of vaccination has also dropped over the last two weeks from about 90,000 shots a day to 53,000. Nationally, 61.1% of the population twelve years of age and up has received at least one vaccine shot with 49.9% fully vaccinated. Over 32.6 million U.S. residents or 11.6% of our twelve and up population, are confirmed to have contracted the virus and recovered (i.e., natural immunity). With over 70% of the twelve and up population having a degree of immunity to Covid-19 and the under twelve population having demonstrated relatively few cases and almost no deaths, we are essentially at herd immunity nationally. San Diego County and California are also at similar levels of immunity.

Economically, here in the U.S. the May jobs report came in at 559,000 new jobs however, it was below expectations of 675,000. Also, new unemployment claims dropped to 385,000, which is the first time it has been below 400,000 since the pandemic began. The Institute of Supply Management (ISM) Manufacturing Index rose to 61.2 and the ISM Services index rose to 64.0 in May. Both are well into what is considered expansion territory. U.S. fundamentals remain positive as economic momentum strengthens with the lifting of restrictions. S&P 500 earnings in the second quarter are expected to reach all-time highs with Federal Reserve bank and Government stimulus providing a tailwind to the economy. Globally, the economic outlook continues to improve but will vary regionally depending on success in responding to the pandemic. Developed markets by and large are in better shape than emerging markets and developing countries.

U.S. stocks have been on a sustained run since February’s lows and certainly since April of last year. Valuations look expensive when compared to historical averages, however, it is a difficult comparison with the current low interest rate environment we are in. I believe the probability of a sustained bear market (i.e., a more than 20% decline) is low during the next twelve months. However, given current market valuations and the unknowns associated with the pandemic, expect volatility and possibly a correction in the next several months.

Assets with a long-term time horizon (i.e., 4-5 years or more to remain invested) should stay the course and remain invested consistent with your investment goals and risk profile. Assets you intend to use in the near-term (i.e., 1-3 years) should be exposed to less risk depending on your specific situation.

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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