



## **Medical and Economic News Continues to Demonstrate Improvement**

*Presented by Christopher Phelps, CPA/PFS, CFP®, AIF®*

Two weeks ago, after several weeks of significant improvement, the medical news started to worsen as case growth and positive test rates ticked back up. Whether this situation might signal the start of another wave of infection growth was an open question. The good news is that the answer looks to be no. Case growth, while slightly above recent lows, has stayed steady despite the continued reopening of the economy and the increasing spread of more contagious variants of COVID-19. While the battle against the pandemic continues, vaccinations are also continuing. They should end up choking the virus off before it gets to a significant fourth wave. The medical risks are still real, but they are lower than they were two weeks ago, and they’re dropping every week.

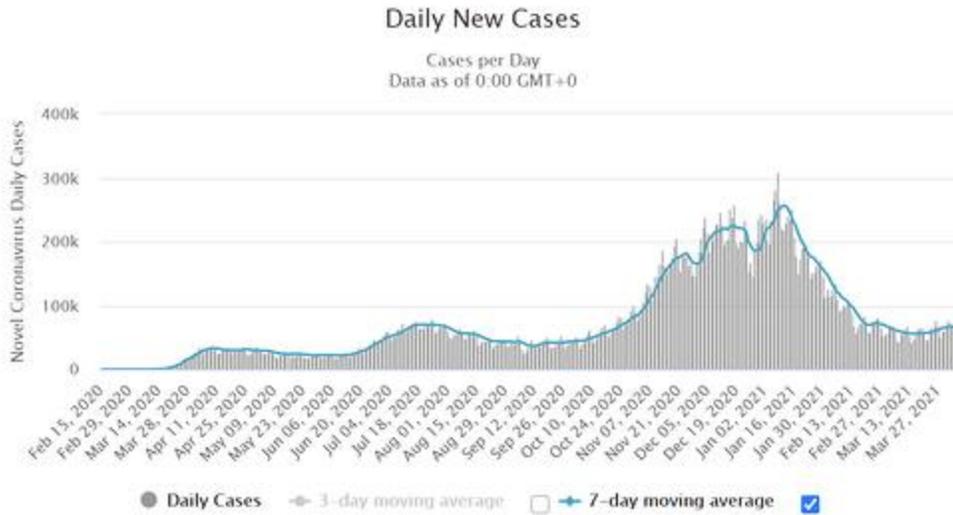
The economic news is even better. In March, we saw what may well be the start of a normalizing economy. As businesses reopened in many states, hiring was pushed up significantly for the third month in a row. Consumer confidence bounced to a pandemic high. Business confidence rose even further, to mark an all-time high for the service industry index and the highest level since 2006 for the manufacturing industry index. Federal stimulus payments are now in play, which should serve as an additional tailwind. All in all, while medical risks still exist, the economic picture looks increasingly positive.

That outlook continues to influence the markets, which have hit all-time highs despite some turbulence around rising interest rates. Let’s take a look at the details.

### **Case Growth Stabilized**

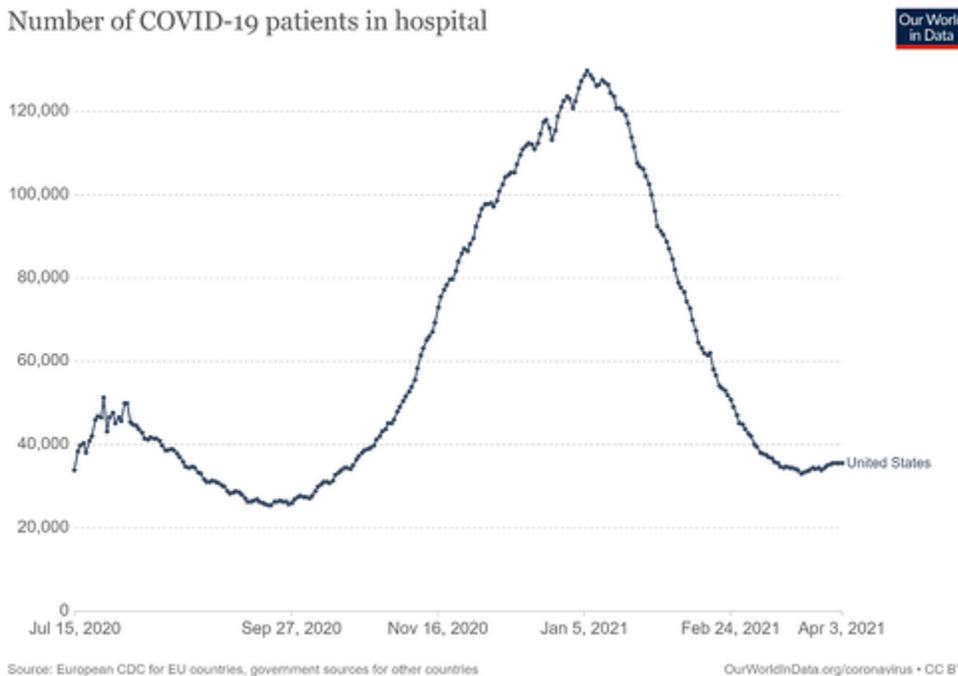
**New cases per day.** The most obvious metric for tracking the virus is daily new cases. Case growth has remained steady over the past two weeks, although it is slightly above recent lows. The real message here is that, despite the economic reopening and more contagious variants, a mix of social distancing and increasing vaccination is controlling the virus. While another wave remains a possibility, the risks are dropping by the day. Overall, conditions remain reasonably favorable.

New daily infection rates were 80,161 on April 8, up from 77,317 a week earlier. The seven-day average for new cases per day was 66,677, holding steady from an average of 66,976 a week ago. While case growth remains too high, it appears to have stabilized at just above recent lows. This growth rate is much better than the steady rise we saw at the start of prior waves.



Source: <https://www.worldometers.info/coronavirus/country/us/>

**Hospitalizations.** We’re also seeing a stabilization in hospitalizations, although at a slightly higher level. On April 3, 35,536 people were hospitalized, up from 33,875 hospitalizations a week earlier. These figures represent a lagging data series resulting from case growth. Accordingly, the increasing number of hospitalizations is consistent with the data as of a couple of weeks ago. Looking at a longer time period, hospitalizations are stabilizing at close to recent lows.



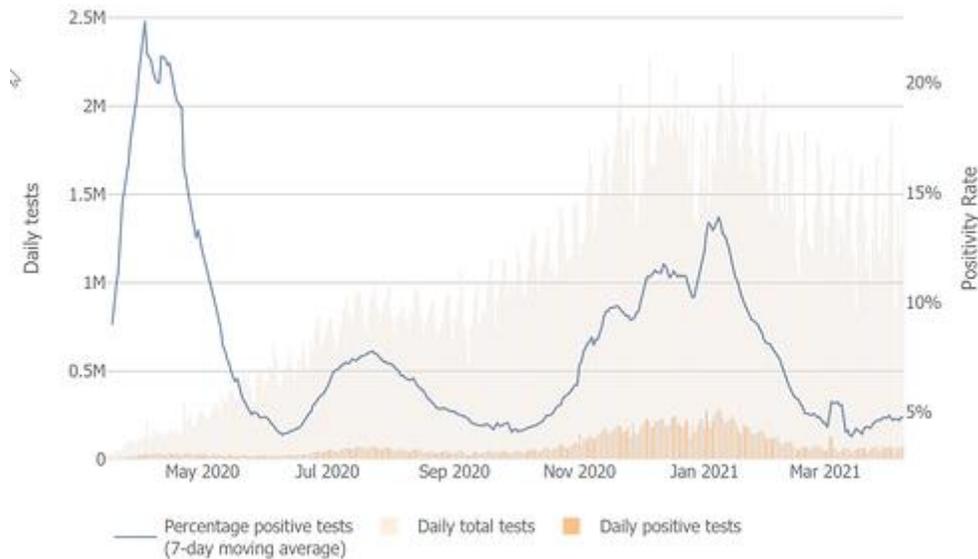
Source: European CDC for EU countries, government sources for other countries

OurWorldInData.org/coronavirus • CC BY

Source: <https://ourworldindata.org/covid-hospitalizations>

**Testing news.** The testing news is also showing signs of stabilization after having experienced some deterioration. Overall testing numbers have stayed at roughly the same level for the past couple of weeks, and the positive test rate remains below 5 percent. Although we would benefit

from more testing, the continued low level of positive testing rates is supporting evidence that conditions remain reasonably favorable. It could also be a leading indicator that medical risks remain contained.

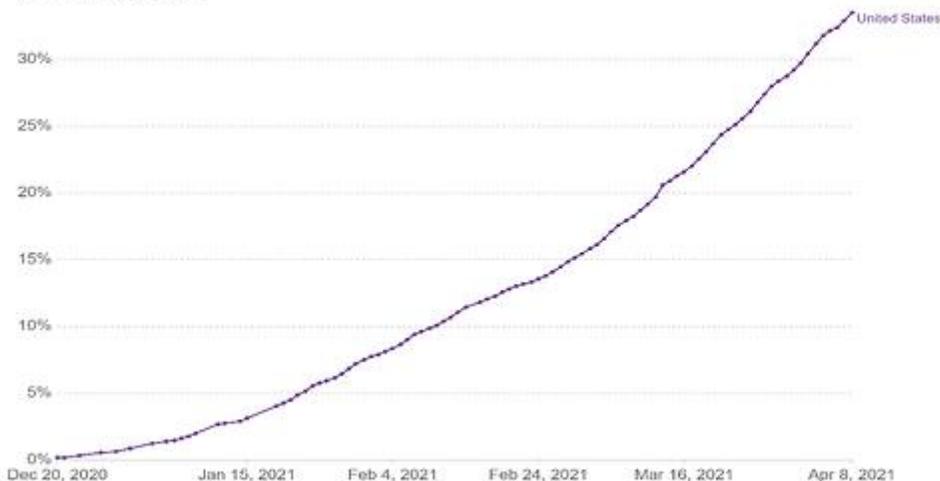


Source: The Johns Hopkins University <https://coronavirus.jhu.edu/testing/individual-states/usa>

**Vaccinations.** Finally, in more good news, the vaccination process continues to accelerate. More than a third of the U.S. population has had the first shot of the vaccine, compared with a quarter of the population two weeks ago. In addition, 20 percent of our population has been fully vaccinated. This progress has certainly helped keep hospitalizations low, and it has very likely helped contain the number of new infections. Vaccination continues at a high rate, and this trend is likely to continue over the next several weeks. As of now, it is very possible that everyone who wants the vaccine could be vaccinated by the summer.

### Share of people who received at least one dose of COVID-19 vaccine

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.



Source: Official data collated by Our World in Data

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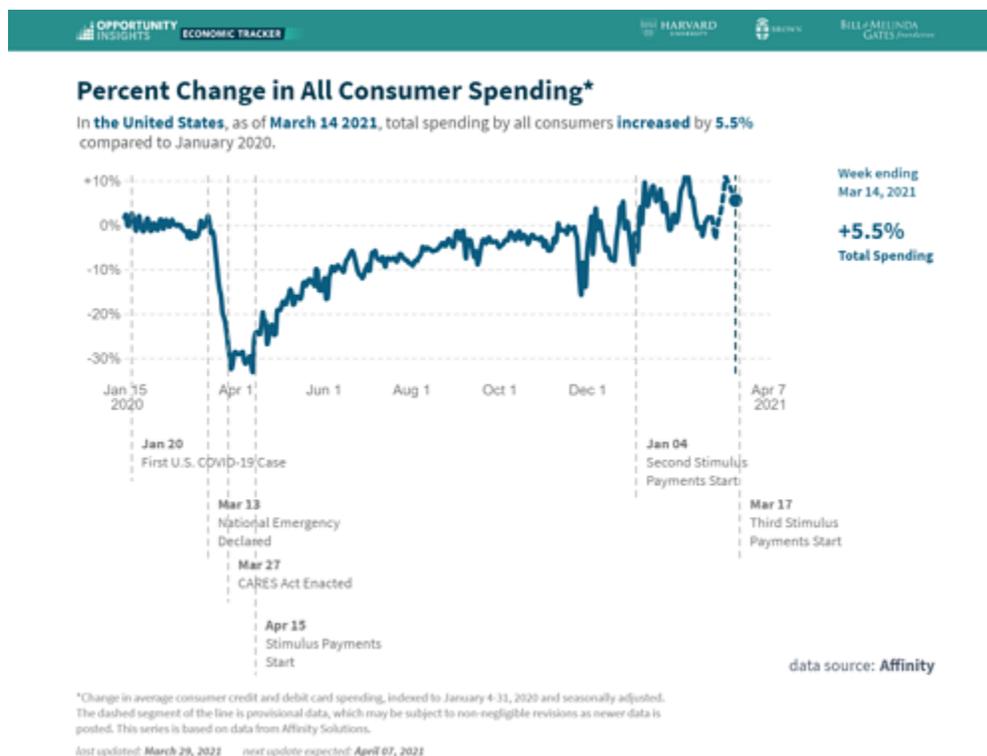
Source: <https://ourworldindata.org/covid-vaccinations>

The major risk continues to be that a more contagious strain of the virus could take root and accelerate infections before vaccinations get sufficient traction. We are seeing some signs of this. Still, overall, the medical risks are contained and will decline as vaccinations advance.

The bottom line is that while infection growth is still too high, and risks remain, a fourth national wave is now unlikely. Although we need to keep an eye on the medical numbers, the stabilization over the past two weeks, combined with the ongoing vaccine deployment, will continue to reduce the risks. We are not out of the woods yet, but we are getting much closer to that point.

## Economy Bounces in March

The economic data continues to get better. March job growth came in much stronger than expected, with 916,000 jobs added. Unsurprisingly, given that employment news, consumer confidence bounced to a pandemic high. As we can see in the chart below, consumer spending bounced from 1.6 percent below pre-pandemic levels to 5.5 percent above pre-pandemic levels—a significant improvement. Also in March, business confidence moved to a decade-plus high. Better spring weather and the federal stimulus package should continue to be a tailwind, so we are likely through the worst of the economic impact of the pandemic.



Source: <https://tracktherecovery.org/>

As the economic effects of COVID-19 recede into the past, the economy looks like it will continue to grow even if we see a short-term reversal of the improvements in medical risks. Although the medical uncertainties are real, most of the economic risks are diminishing.

## **Financial Markets Hit New Highs on Better Economic News**

Markets saw some volatility in past weeks, which was largely attributable to increases in interest rates. But this situation also represents progress, as the increased volatility is based on continued economic improvement. Despite the turbulence, the markets continue to expect a much better 2021 due to the ongoing medical and economic improvements. That outlook has continued to support prices. Fourth-quarter earnings came in well ahead of expectations. As a consequence, analysts are adjusting their 2021 earnings estimates upward, which suggests that positive market trends may continue. Markets remain at or close to all-time highs, and as the economy continues to grow we may see more gains.

## **Progress Continues**

Conditions remain favorable by recent standards. Although medical risks are still in play, they are declining. In addition, offsetting the medical risks, the reopening of state economies and the federal stimulus package have supported the most vulnerable parts of the economy. Significant improvements have been made in hiring and confidence, and these indicators are likely to be relatively robust even if medical risks increase in the short term.

The markets are in an interesting place, given that the benefits of the improving medical and economic conditions are largely priced in. Future gains will depend on further improvement in the medical and economic news. Of course, market gains are not guaranteed, especially in the short term. Expect more volatility.

Regarding longer-term expectations, the good news is that vaccines are now rolling out quickly. By the time summer arrives, we should be approaching the end of the pandemic. The economy will be able to normalize and start to really grow again. Despite the real risks that remain, including the possibility of a medical setback, we continue to make progress.

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