

A View FROM THE TOWER

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As we shifted from a historic 2020 to 2021, the first quarter continued to be chock full of events and circumstances of interest as stocks continued their march forward while bond prices met some headwinds. First, theatrics coming from Washington were once again provided, including the very unfortunate incident on January 6. Hope springs eternal that the divisions within our population will somehow dissipate, enabling us to turn our focus to “E pluribus unum.....Out of many one”. Unfortunately, the political front has still not provided anything overly promising in this regard, at least in the short-term.

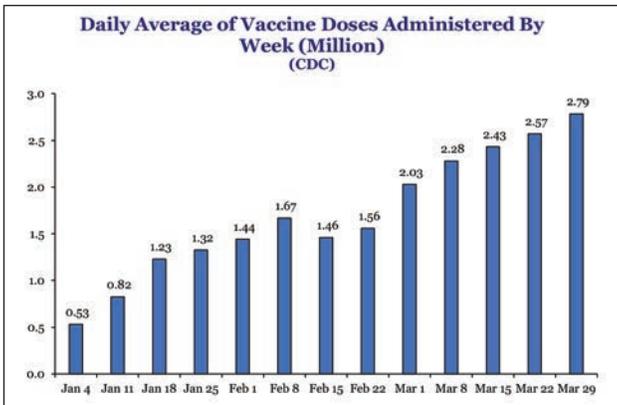
During the quarter, the other primary storyline remained the battle with COVID-19, not only from a financial perspective in light of ongoing economic and social restrictions, but also from a health related one. That being said, during the quarter, the following were some key coronavirus specific related items:

- Multiple vaccines developed and approved with unprecedented speed gained distribution momentum throughout the quarter, despite some initial, logistical “growing pains,” eventually reaching the two and one-half million doses per day level in the U.S. The goal is now to have inoculation availability to all adults (those at least 16 years of age) by mid-April. However, surveys show that a significant but declining segment of the population still does not intend to avail itself of a vaccine, at least for the time being.
- “Re-openings” across the country gained momentum toward the end of the quarter, more in some locales than others, as the number of inoculations climbed. State by state, governmental entities of

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various types took a variety of routes in an attempt to balance the financial and human risks. One area of particular debate and consternation was on the education front as many school systems delayed the full return to the physical classroom. According to Burbio, a school database, approximately 53% of students were engaged in on-site, in-person learning as of the end of March.

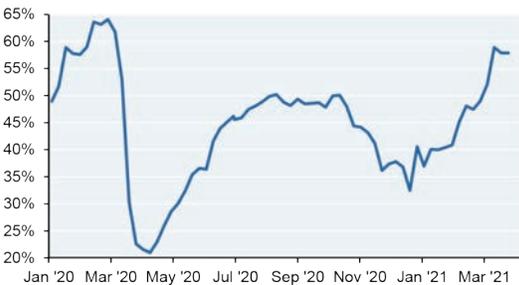
- Worldwide, feared mutations of the virus continued to appear, particularly impacting mobility across the eurozone, which has had ongoing vaccination distribution issues. The hope is that these mutations will be “stiff-armed” by the aforementioned vaccines as the global mass vaccination process sets the stage for a sustained recovery in economic activity in 2021.



SOURCE: Strategas

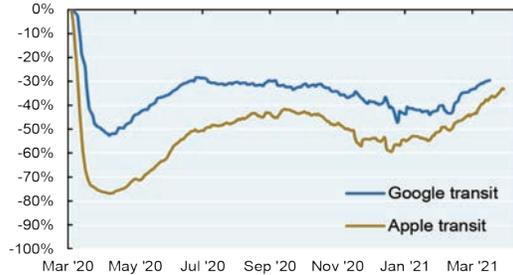
In addition to the health-related aspects of COVID-19, the economic ones continued to be front and center. While many large companies have shown extraordinary resiliency and strength, smaller ones in many cases continued to struggle mightily, including those of all shapes and sizes in the travel and leisure industry. However, some of this had at least seemingly started to abate in March as travel, restaurant and mobility data experienced an uptick as individuals acted on their pent-up demand.

US hotel occupancy rate
Weekly data



SOURCE: STR. April 3, 2021

Google vs Apple transit mobility trends
% change since January 2020 baseline



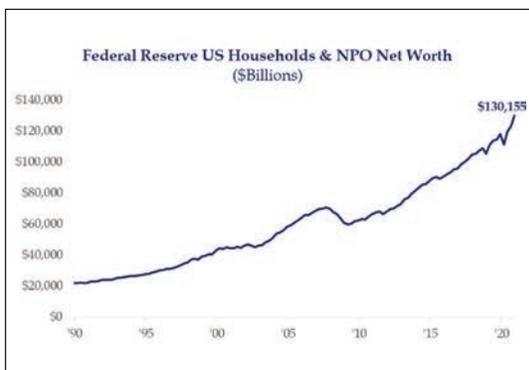
SOURCE: Google, Apple. April 12, 2021. 7 day avgs.

Housing remained a particular source of growth (including sales of new and existing homes) as low interest rates on mortgages and the remote work environment attracted many to suburbanize. Additionally, as many of us drove through our neighborhoods, there seemed to be constant scenes of renovations afoot. It is probably safe to say few of us would have imagined such an atmosphere a year ago.

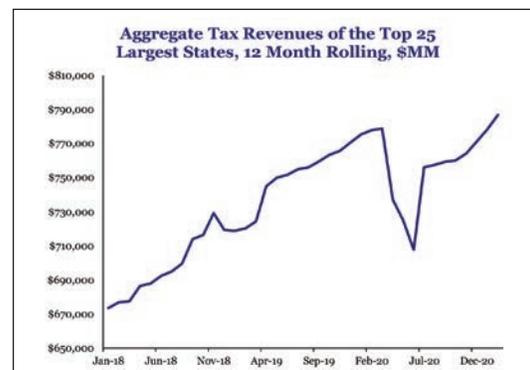


SOURCE: Standard & Poor's

In early March, yet another stimulus bill was passed (The American Rescue Plan Act of 2021/"ARP"), this time to the tune of \$1.9 trillion and primarily focused on consumers and states. With the receipt of these funds, consumers in general will have an estimated \$3 trillion in savings that can be used for spending, and a total household net worth level of \$130 trillion, an increase of about 10% year-over-year. On the governmental front, despite the pandemic, state tax revenues overall were basically flat in 2020 versus 2019. It would likely be a surprise to many that tax revenues in New York, for example, increased year-over-year in 2020. And local governments in general had their best year since the financial crisis because their tax bases are largely dependent on home prices, which have been very strong across the country. The bottom-line is that despite the trials and tribulations of 2020, many state and local budgets have actually run at surplus levels.



SOURCE: Strategas



SOURCE: Strategas

With this flood of cash, some have pivoted to what could be considered speculative plays in our financial markets. Specifically, these would include the increase in the price of Bitcoin from approximately \$29,000 to nearly \$59,000 and the highly volatile price movement of stocks like the well-publicized GameStop, fueled by investors banded together by an internet forum. The latter even leading to Congressional hearings. Are these events material? Do they signal something larger to come? The jury is out at this point, but something to at least have on our radar.

As we look at the remainder of the year, the consensus is that considering the impact of the multiple stimulus bills, the momentum behind vaccinations and the expected pace of re-openings, nominal 2021 GDP growth in the U.S. could near 10%; an astonishing level. But, as always, there are concerns to contemplate. First is inflation, which to this point has remained muted and the Federal Reserve seems to remain relatively unconcerned about, particularly given its steadfast comments that its current focus is full employment. It is probable that even a short-term, “transitory” spike in inflation would do little to derail this mandate. An additional consideration is the level of interest rates, which to a degree is impacted by inflation expectations. However, it is not necessarily unusual for interest rates and stock prices to increase together at the start of a new business cycle. The bigger concern tends to be the Federal Reserve “removing the punch bowl” from the proverbial party later in the cycle to cool the perceived overheating economic activity. And finally, a favorite for many of us, taxes. At this point, the Biden administration’s proposed American Jobs (Infrastructure) Plan related new tax policy would likely include increases in: 1) various corporate tax rates; 2) the income tax rate for individuals earning more than \$400,000; and 3) the capital gains rate for those earning at least \$1 million annually. The potential end of the filibuster within the U.S. Senate may be a wildcard in this regard as well.

Although we remain at least somewhat on an economic, health and emotional rollercoaster, and are yet to be completely “out of the woods”, it does seem like we turned a corner regarding COVID-19 during the quarter; hopefully. At least many seem to be much more optimistic these days. All of us at Country Club Trust Company/ Tower Wealth Managers, along with the entire Country Club organization, continue to hope that you and your families are well. We additionally hope you may have been able to engage in activities that you have not been able to for months, maybe even a year. We know it has not been an easy period on many fronts. Please be assured that we continue to work diligently in a social distancing mode, remaining fully capable of providing the level of service you have come to expect and deserve. We want to be of assistance in any way we can. Should you have any questions, we are always here for you.

Thank you and take care!



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