

Macro Overview

Stimulus payments from the second pandemic relief package were received in January and February, stirring economic activity and increasing personal incomes and expenditures. Some economists, however, believe that the rise in incomes and expenditures are short lived and not consistent. An anticipated third round of stimulus payments is expected to produce additional consumer activity throughout the economy. In addition to cash payments, extended unemployment benefits as well as revised funding for small businesses are planned.

Continued optimism surrounding vaccinations and stimulus funds reaching consumers propelled growth estimates higher along with inflationary expectations. Inflation has become a key concern among economists and market analysts as rising interest rates and elevated food prices have taken hold. Historically, rising interest rates have been symbolic of improving economic activity while higher prices for goods and services are considered inflationary.

Over 72.8 million Americans have received a COVID-19 vaccination as of the end of February as reported by the Centers for Disease Control and Prevention (CDC). Those having been vaccinated with a first dose made up 14.6% of the U.S. population as of Feb 27th, with 7.1% having received a second dose. The recent approval of a single dose vaccination may help speed up the vaccination process for millions of Americans over the next few months.

The IRS began accepting and processing tax returns for tax year 2020 in February, later than usual because of delays related to pandemic relief programs executed in December. Taxpayers have so far flooded the IRS with returns eager to receive delayed tax refunds.

Meme stocks, also known as stocks influenced by rapid communication by online users and traders, gyrated dramatically in February as speculation drove trading volume. Traditional stock traders have scrutinized the recent phenomenon as a fad induced by speculative behavior.

Oil and commodity prices rose in February as an increase in global market demand for energy as well as severe weather caused outages in various continents. Forced outdoor seating at restaurants and eateries as mandated by various states has caused an increase in demand for propane used in heating outdoor areas. Power outages in Texas due to severe cold weather revived concerns about the nation's electric power grid and its reliability. Victims of the winter storms that affected Texas will have until June 15th to file individual and business tax returns, the IRS reported.

It is estimated by analysts and the Federal Reserve that the true unemployment rate is in excess of 10%, not 6.3% as reported by the Department of Labor's most recent release. The disparity lies in how the rate is calculated and monitored.

Paused oil production in Texas, due to severe weather, drove crude oil and gasoline prices higher throughout the U.S. as refineries and pipeline distribution were shuttered.

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Pentagon officials mentioned that roughly a third of all U.S. troops that have been offered the COVID-19 vaccination have declined it. Vaccinations are still voluntary for military personnel, but may eventually become mandatory as the FDA approves additional vaccines.

Food supply chains hindered by the pandemic have spurred higher meat prices as the costs of feed for cattle, hogs, and chickens have risen. Severe weather and transportation challenges have impeded supply chains across different regions of the country. The U.S. Department of Agriculture is forecasting an increase of 2-3% in food prices this year due to disruptions in production and higher commodity costs.

Rising rates in February affected mortgage and various consumer loans as the yield on the 10-year Treasury bond surpassed 1.5%, nearly three times the yield from its low of 0.52% in August 2020. The 10-year Treasury bond yield is closely followed by markets as a gauge for inflation and the possible presence of any economic expansion.

Sources: CDC, [defense.gov/Pentagon](https://www.defense.gov/Pentagon), U.S. Department of Agriculture, Treasury, Federal Reserve

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