



Wealth Strategies Team

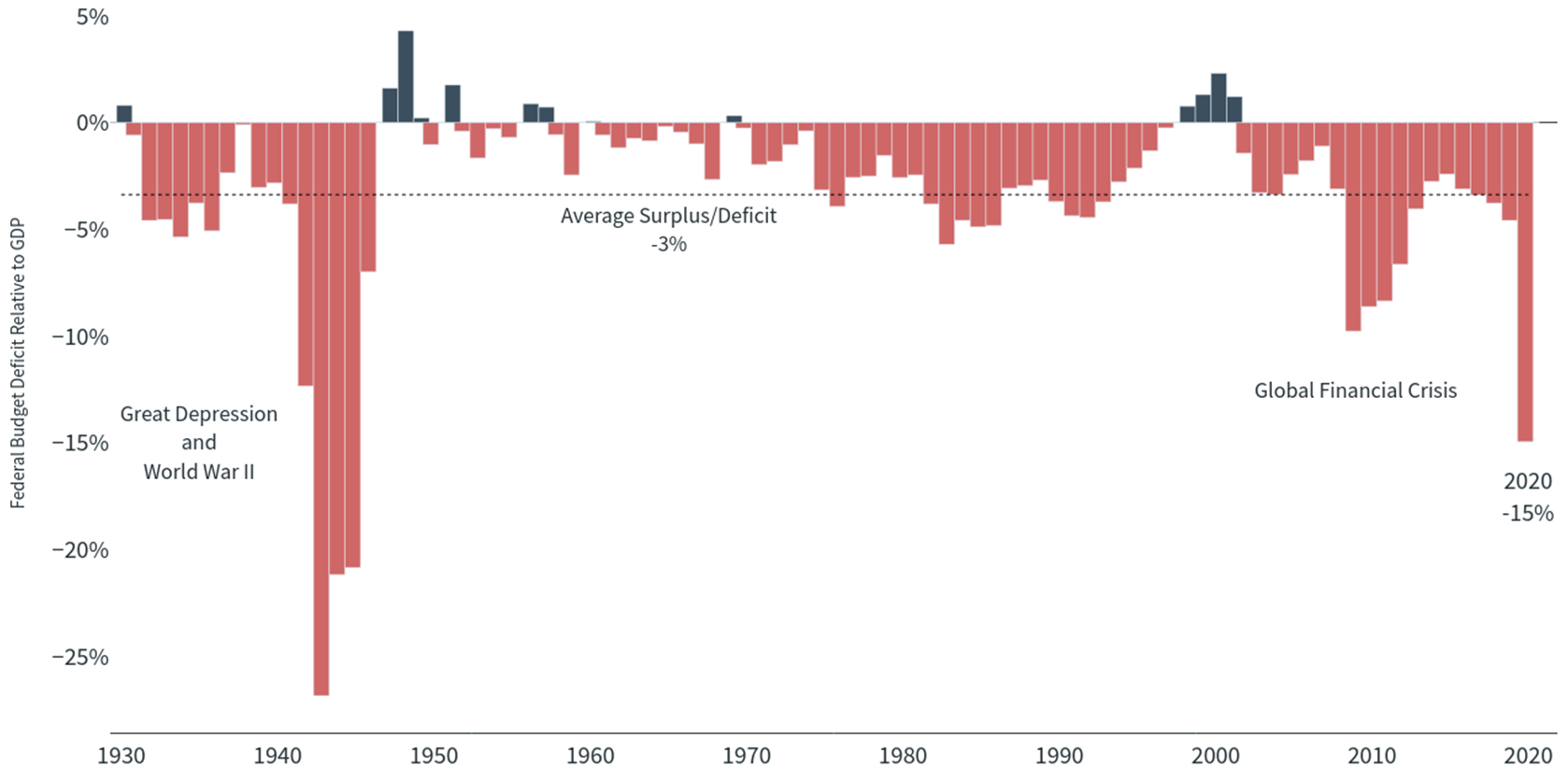
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Inflation and Interest Rates - Chartbook

Cliff Jarvis | Vice President - Investments | March 4, 2021

Federal Budget Deficit to GDP

Annual federal deficit to U.S. GDP since 1930



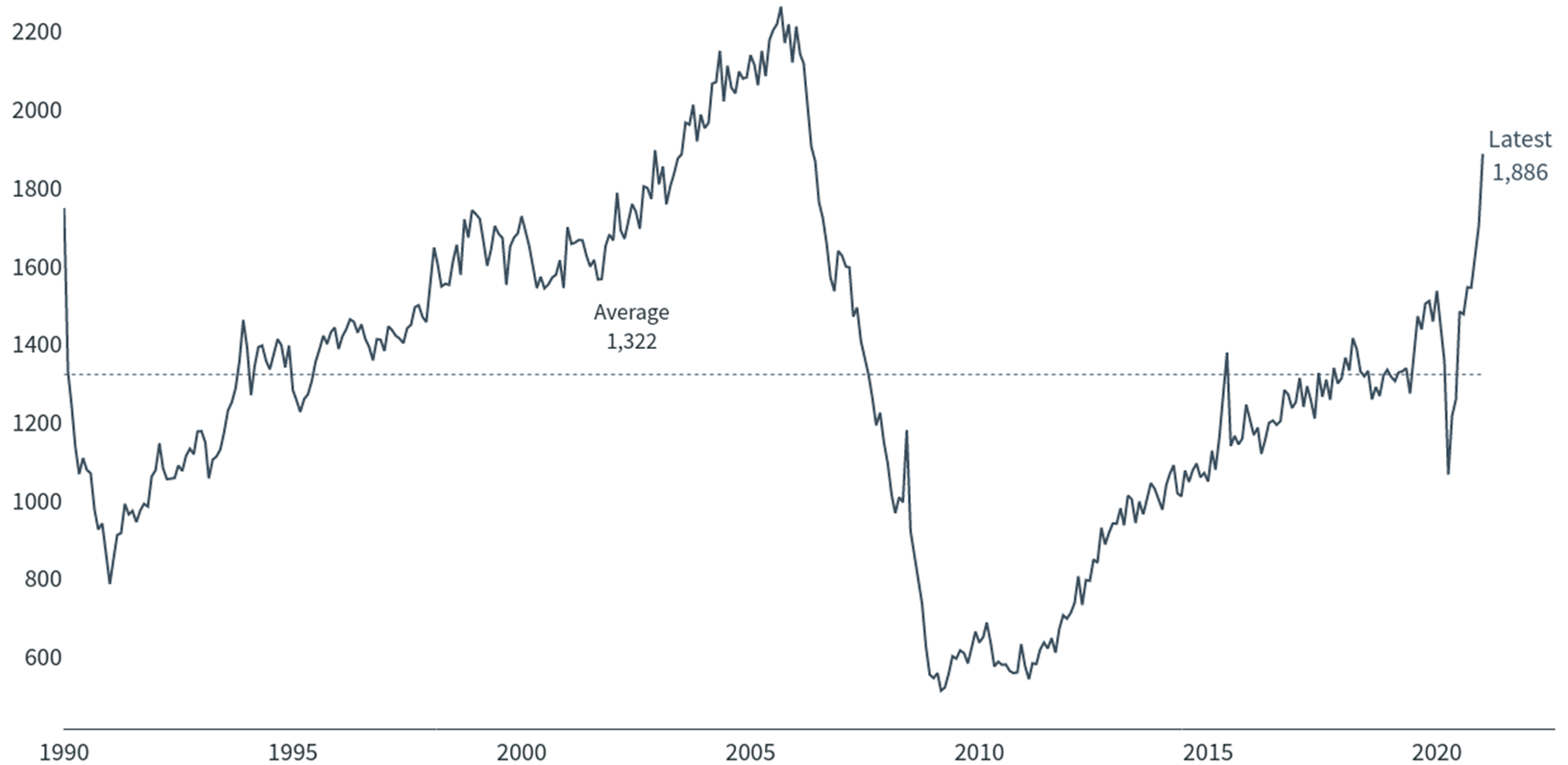
- **The deficit is simply the difference between federal government revenues and expenses.**
- **Government stimulus packages have expanded the Federal Budget deficits to near historic levels.**

Source: U.S. OMB

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Building Permits

Housing Market



Latest data point is Jan 2021

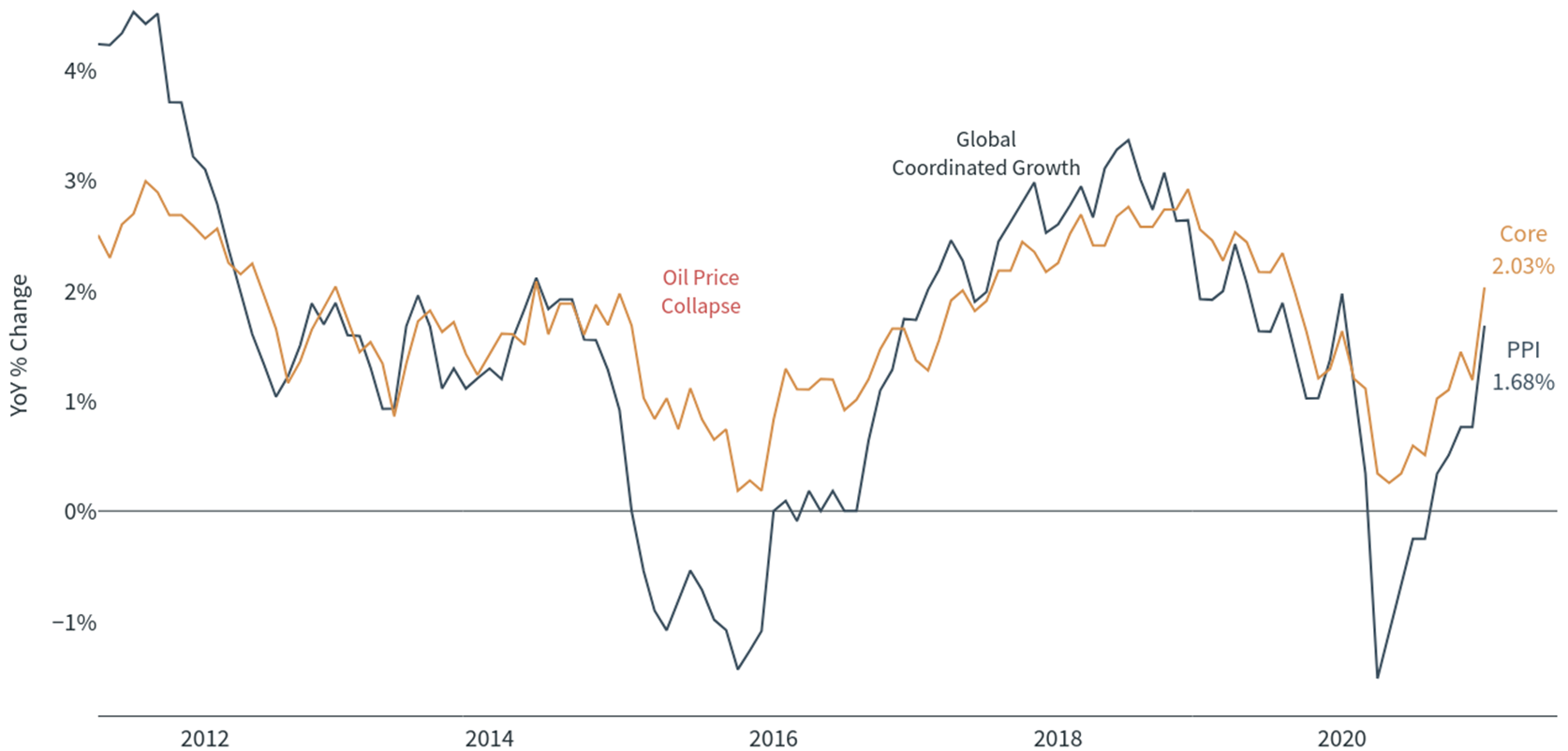
- **Building permits are rising strongly; reflecting renewed economic activity.**

Source: U.S. Bureau of the Census

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Producer Price Inflation

Inflation



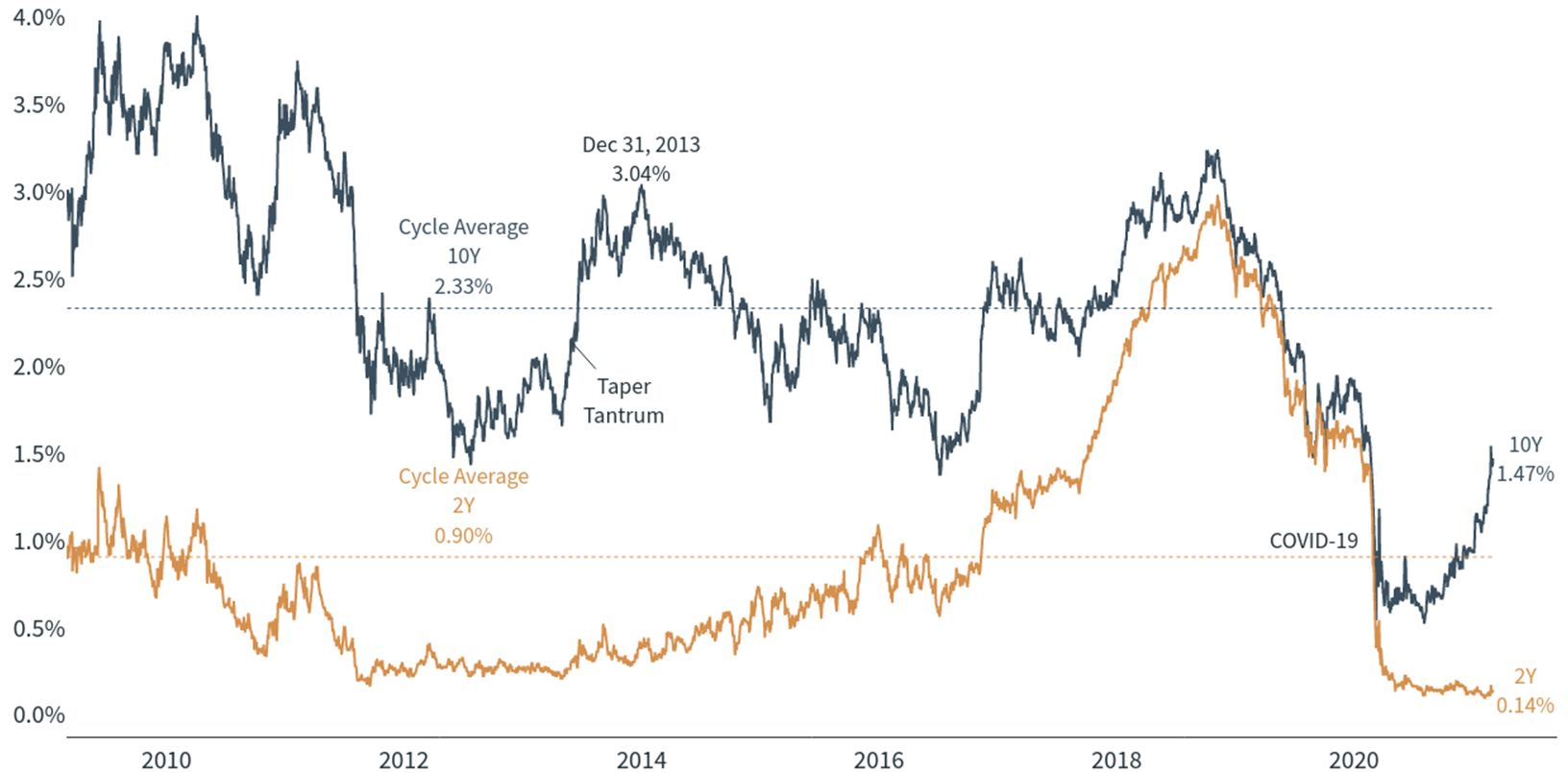
Latest data point is Jan 2021

- **PPI measures price levels for producers. They are another data point for understanding overall inflation trends.**
- **Inflation declined due to the Covid shutdown but is now beginning to rise.**
- **Inflation and interest rates are closely correlated and must be watched closely.**

Source: U.S. Bureau of Economic Research

Interest Rates

10-year and 2-year yields since 2010



- Long-term interest rates plummeted during the pandemic and economic shutdown but have begun to rise.
- The 10-year Treasury yield has risen to almost 1.5% recently due to the ongoing recovery and economic stimulus.
- Interest rates are still extremely low.

Latest data point is Mar 3, 2021

Source: Federal Reserve

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Definitions and Methodology

The **S&P 500** is a market capitalization-weighted index of large cap U.S. stocks. U.S. **mid cap** and **small cap** are the S&P 400 and S&P 600, respectively. **Value** and **growth** are the corresponding Standard and Poor's value and growth indices.

MSCI EM is an index of emerging market stocks. **MSCI EAFE** is an index of developed market stocks. **MSCI ACWI** is an index of global stocks.

The **forward P/E** is a ratio of the current market price of an index divided by an estimate of earnings over the next twelve months. The **Shiller P/E** is based on Robert Shiller's cyclically adjusted price-to-earnings ratio.

The **AAll Investor Sentiment** index is based on a weekly survey conducted by AAll.

Unless stated otherwise, **earnings** and **valuations** data are from Refinitiv indices.

The **LEI**, or Leading Economic Index, is produced monthly by the Conference Board.

Consumer sentiment indices are based on surveys conducted by the University of Michigan Surveys of Consumers.

Asset Class Performance and Asset Classes Relative to U.S.

Stocks charts: The EM, EAFE, Small Cap, Fixed Income and Commodities are these indices, respectively: MSCI EM, MSCI EAFE, Russell 2000, iShares Core U.S. Bond Aggregate, Bloomberg Commodity Index.

Fixed Income Performance: All sectors are represented by the Bloomberg Barclays bond indices except for EMD USD and Local which are the JPMorgan EMBIG Diversified Index and JPMorgan GBI-EM Core Index, respectively.

The Balanced Portfolio is a hypothetical 60/40 portfolio consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

The **Bloomberg Commodity Index** is a broadly diversified basket of physical commodities futures contracts.

The **DXY** is a U.S. dollar index based on a basket of currencies, including the Euro, Yen, Pound, Canadian Dollar, Swedish Krona and Swiss Franc.

Portfolio Risk/Reward and Portfolio Drift Since 2009 charts: stocks and bonds are the S&P 500 and iShares Core U.S. Bond Aggregate, respectively. Each portfolio represents a hypothetical stock/bond asset allocation.

The **MSCI Factor** indices are created and maintained by MSCI to capture factor returns. They cover various factors including Quality, Size, Momentum, Volatility, Value and Yield. The Multi-Factor index tracks the performance of Value, Momentum, Quality and Size.

The **MSCI USA** index tracks large and mid cap U.S. stocks.

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