

Economic highlights from the week ending on April 9, 2021

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According to the Centers for Disease Control and Prevention (CDC), more than a third of the US population has received at least one dose of a Covid-19 vaccine. More than 66 million (or about 20%) of the population is now fully vaccinated. The pace of vaccinations has accelerated to an average of over 3 million doses per day. President Biden doubled his goal for vaccinations within the first 100 days of his presidency to 200 million and, as of this morning, the CDC reports that nearly 175 million doses have been administered. The White House has indicated there will be enough vaccine supply for every American adult by the end of May. Although new mutations and variants present a meaningful risk, we are encouraged by the faster than expected pace of vaccinations, and believe it bodes well for the labor market and economic reopening. With the vaccine rollout becoming more widespread in the US amid an ongoing backdrop of robust fiscal support, low interest rates, and accommodative monetary policy, we believe economic growth is poised to accelerate meaningfully in the current quarter.



The Fed continues to signal its intent to keep monetary policy highly accommodative this year. The minutes from the Federal Open Market Committee's (FOMC's) most recent March meeting indicate the Fed will be patient and is willing to let the economy run hot, in order to achieve their long-run employment and inflation goals. Policymakers expect inflation to move above 2% year-over-year in the near-term, as low inflation readings from last year impact the calculation. The FOMC also anticipates that supply constraints will put upward pressure on prices. However, the Fed believes inflationary pressures will be transitory and expects that annual inflation readings will edge down next year. While some policymakers expressed concern that accommodative monetary policy could lead to excessive risk-taking and financial imbalances, others noted that financial conditions remain challenging for many small businesses. Overall, the Fed remains committed to using their full range of tools to support the economy.

While the Treasury yield curve remains much steeper on a year-over-year basis, we have seen a modest retreat in longer-term Treasury yields this month. Shorter-term rates remain anchored near zero percent, while the 10-year Treasury yield is down nearly 10 basis points month-to-date, to about 1.65% (at the time of this report). Nevertheless, we believe the Treasury yield curve is poised to modestly steepen further as the year progresses, which would be consistent with an improving economic outlook, more widespread vaccine distribution, the anticipation of ongoing fiscal spending, and a moderate pick-up in inflation.



Next Week

CPI, Beige Book, Retail Sales, Philly Fed, Empire State Manufacturing, Industrial Production, Housing Market Index,

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