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A Rise in Optimism & A Spring Cleaning

A new season is here and with Spring comes an increased optimism. With the proliferation of three vaccines in the United States, there is a sense of renewal and a feeling that things may be returning to normal in the next few months.

This is reflected not just in the individual, but according to Chief Executive Magazine's latest poll of 164 CEOs, their confidence in business conditions 12 months from now gained 3 percent in April to reach its highest level since May 2018. CEOs say the vaccine becoming widely available across the nation is fueling their optimism for a full reopening of the economy in the near term as greater vaccination rates will lead to the removal of restrictions on businesses and spark demand.

Also driving optimism is the Federal focus on infrastructure. President Biden announced an ambitious \$2.3 trillion spending plan to upgrade the nation's bridges, roads, schools and more. This level of investment is going to require a lot of natural resources to complete. And this action combined with the unprecedented monetary support from the Fed and other aggressive fiscal support programs, is creating strong economic opportunities.

Against a backdrop of historic fiscal and monetary stimulus, the markets are also emerging from the pandemic. The S&P 500 has rallied nearly 90% since its low on March 23, 2020 and is already up 10% in 2021. "Nothing changes sentiment like price" is an old saying and 23 new all-time highs in 2021 (the most this early in any year since 1998) have investors optimistic.

Another reason to be optimistic over the course of 2021 is that internals of the market are as strong as they have ever been. In fact, more than 95% of components in the S&P 500 Index are above their 200-day moving averages, a reading seen only two other times in the past 30 years. Perhaps most importantly, those two other times were late 2003 and late 2009, near the beginning of major bull market runs and not at the end.

Another sector that bodes well for positive change is the travel industry. Even as the coronavirus pandemic continues to rage in many corners of the world, places that have successfully vaccinated a substantial share of the population are plotting the next step: how to let people start traveling again, whether for beach vacations or board meetings.

By early summer, countries of the EU aim to issue vaccine passports that would let those who have been inoculated freely cross borders. Some places, including Australia and New Zealand, and Singapore and Hong Kong are joining together to create “travel bubbles” that allow citizens to visit without mandatory quarantines. Governments are now drawing up lists of vaccines and tests they deem sufficiently effective to permit entry.

Airlines are adding flights and filling out schedules in anticipation of increasing numbers of vacationers. They are aiming to expand capacity on international flights by a third between now and July. Hotels are airing out rooms and dusting off the furniture, hoping for at least a modest rebound after a year of little to no business. The only downside is that prices are increasing – even beyond pre-pandemic levels- and the availability of rentals, in vacation spots and cars, are becoming severely limited due to demand.

This is all showing everything is moving in the right direction and we can all take a breath. Let's use this time to assess our own economic situation. Due to a complete change of our usual habits in 2020 – with curtailed vacations, dining out, entertainment, etc., this left us with extra savings. Early 2021 is a great time to examine our current and future financial goals.

Let's review these important areas of focus:

- Retirement planning - Involving building funds for the ultimate long-term goal of retirement and best managing these funds to maintain your level of income throughout your retirement years.
- Debt management - If you have outstanding debts, like credit card debt, student loans, mortgages or other loans, together we can chart a plan for repayment.
- Budgeting – An analysis of where your money goes once it leaves your paycheck and crafting a budget to reach your financial goal – whether it's an increase in your savings, investments or an additional real estate property.
- Insurance coverage – An examination of your current policies to identify any gaps in coverage and a recommendation of new types of policies, like disability insurance or long-term care coverage, depending on your financial situation.
- Tax planning - Tax planning involves strategizing ways to decrease the amount of taxes you pay, like by large charitable donations or tax-loss harvesting. This will be especially important this year. To pay for a permanent child tax credits and other social programs, the White House is considering a capital gains tax hike to 39.6% on people earning \$1 million and over. Wealthy individuals could see their federal rates reach as high as 43.4% when the investment

tax is included. This is the time for planning and implementing capital gains harvesting and reduction strategies for you to blunt the impact of such an increase.

- Estate planning – If you who wish to leave a legacy, let us examine how to transfer your wealth to the next generation, whether family, friends, or charitable causes.
- College and Education planning – When you're looking to fund education, together we can create a plan to help you save for their higher education and take advantage of saving opportunities in the private sector for lower, middle and high school.

I wish you all good health and, as always, we will watch and research the global economy and make investment choices to the best of our ability for each and every client portfolio. If you have questions about your portfolio, our views expressed in this letter, or anything else financial, please do not hesitate to call.

Warmly,

A handwritten signature in black ink on a light gray background. The signature reads "Colleen Kelleher Sorrentino" in a cursive script.

Colleen Kelleher Sorrentino

Performance Table for 1st Quarter 2021

Asset Class	% Change YTD March 31, 2021
Dow Jones Ind. Avg. (TR)	8.1%
S/P 500 Index (TR)	6.1%
NASDAQ Comp.	2.8%
Nikkei Tokyo	6.3%
China- Shanghai	-0.9%
DAX Germany	9.4%
CAC-40 France	9.3%
FTSE-100 UK	3.9%
Gold \$ per oz.	9.5%
Crude Oil (\$ per bbl.)	21.9%
Rate on 10-Year Treasury Bond	1.74%
VIX Volatility Index Change	-14.9%

Source: April 1, 2021 Wall Street Journal

1st Quarter 2021 Markets Perspective



Tom Burnett, CFA, Vice Chairman & Director of Research

Kelleher Financial Advisors

For the past several months, many observers have warned that record low interest rates have moved the bond market into a high-risk environment. In the first quarter of 2021, those predictions came true. The worst performing asset class was the Index of 20+year Treasury Bonds. The Index was down 14.9% in the quarter, making it the worst performing asset class out of the more than 100 followed by the Wall Street Journal. During the quarter, interest rates moved higher pushing bond prices lower. For example, the rate on the Ten-Year bond moved from 0.93% at the end of 2020 to 1.74% at the end of the March quarter. Investment grade corporate bonds did not escape the pressure from higher rates as that asset class was down 5.8%.

By comparison, stocks performed well. All three major Indexes (Dow, S/P 500, NASDAQ Comp.) traded at or near record high levels during the quarter. Small cap stocks performed well as the S/P 600 rose 17.9%, well above the larger equity indexes. The S/P Energy group rebounded from its weak 2020 showing with an increase of 29.3% in the quarter.

The US dollar also recovered from a weak 2020 performance and rallied 3.1% in the quarter. Commodities offered a mixed picture— oil and foodstuffs rallied, but gold was weaker.

The big story in the first quarter, however, was the rapid rise of interest rates and the collapse of prices in the long-term bond market. While stocks rallied in the quarter, investors much watch interest rates carefully as alternative fixed-income investments become more attractive.

Upcoming Events

Spring/Summer 2021 Webinars

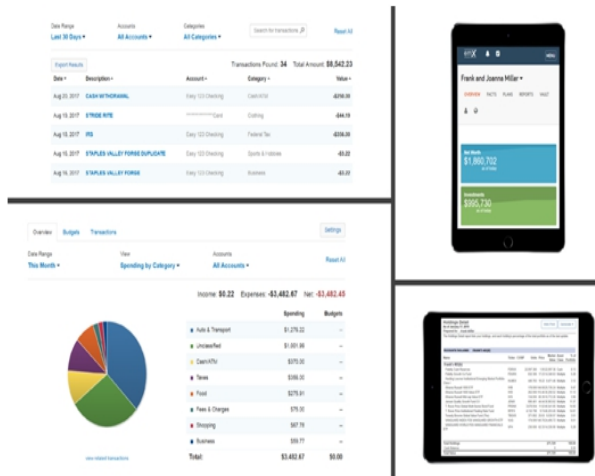


We are currently in the process of developing our webinar curriculum for Spring/Summer 2021 and would like to hear from you about topics of interest. Please let us know what you would like to hear about by clicking [here](#).



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100 Wall Street

KFA is open for business and are able to receive phone calls, mail and faxes with no disruption. Our team is collaborating both virtually and in-person in a safe, compliant environment. We are now hosting both in-person meetings as well as being available for FaceTime, Zoom and other types of virtual meetings.

100 Wall Street, 8th Floor
New York, NY

For more information, call us at: **212-232-5685** or visit us at: **www.kf-advisors.com**

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