

## OBSERVATIONS

- COVID-19: More than a dozen countries including Germany, France and Italy had temporarily halted use in early March of the AstraZeneca vaccine over reports of blood clots in recipients, but reaffirmed its safety and resumed use last week. AstraZeneca is set to apply for emergency use authorization in the U.S. soon.<sup>1</sup>
  - As of 21-March, over 448 million doses have been administered across the globe. The U.S. has administered over 134 million doses, averaging nearly 2.5 million doses per day last week.<sup>2</sup>
- U.S. retail sales declined in February by -3.0% MoM, as compared to expectations for a -0.5% decline. Bad weather was a significant driver for the drop, which was the worst month since April 2020. Also, of note, January's previous +5.3% MoM increase was revised higher to +7.6%.<sup>3</sup>
- The U.S. solar industry had a record year in 2020, despite the pandemic, as new capacity increased +43% from 2019. The solar market is expected to quadruple by 2030.<sup>4</sup>
- Rising interest rates weigh on mortgage demand, particularly refinance activity, where applications to refinance a home loan dropped by -4% last week (WoW) to a seven-month low and are down nearly -40% from this time last year.<sup>5</sup>
- U.S. Treasury 10-yr yields reached pre-pandemic levels and 14-month highs of 1.75%, last week following the Fed's statement (*see more in expectations*).<sup>3</sup>
- Pressure from supply chain disruptions from weather to port backlogs mounts. Toyota (citing petrochemical shortages), Honda Motor (citing port issues, semiconductor shortages, and weather), and Samsung Electronics (citing semiconductor shortages) are the latest multinationals detailing challenges.<sup>6</sup>
- Ride-hailing companies recovering - Lyft said last week was its best volume week since the Pandemic began. Lyft also posted positive YoY growth in daily volume on 17-March for the first time in a year.<sup>7</sup>
- The Bank of Japan finished its annual review of its ultra-dovish monetary policy last week and few changes were announced, but the BoJ did modestly widen the bands around its target for Japan's 10-year bond yield.

## EXPECTATIONS

- Last week's Federal Reserve meeting resulted in the central bank maintaining its existing policy stance with interest rates near zero and bond buying program unchanged at \$120bn/month. The Fed revised its forecast for GDP to +6.5, from prior estimates of +4.2%. Median forecasts for interest rates continue to signal no change to the Fed's zero interest rate stance through 2023. With respect to the Fed achieving its goals necessary for policy action, Fed Chair Powell noted "Until we give a signal, you can assume we are not there yet."<sup>3,8</sup>
- At least 4 firms have now filed applications for Bitcoin based Exchange Traded Funds (ETFs) in the last three months. It remains unclear whether the SEC will permit Bitcoin based ETFs, though optimism has increased as the incoming SEC Chair Gary Gensler is seen as being more open to change. Canada, meanwhile, is now home to the first Bitcoin ETFs in North America and India is reportedly introducing a bill to criminalize Bitcoin ownership.<sup>9,3</sup>

## ONE MORE THOUGHT

With a fresh round of \$1.9tn of stimulus having been passed, attention now turns to the prospects of a longer-term economic program, which is likely to be in the trillions of dollars, and the likely requirement of tax hikes in order to

<sup>1</sup> <https://apnews.com/article/germany-suspends-astrazeneca-vaccine-blood-clotting-0ab2c4fe13370c96c873e896387eb92f>

<sup>2</sup> Bloomberg Vaccine Tracker, Financial Times Vaccine Tracker, Johns Hopkins Coronavirus Center

<sup>3</sup> Bloomberg LP

<sup>4</sup> CNBC, Bloomberg LP, Solar Energy Industries Association and Woods Mackenzie

<sup>5</sup> CNBC, HousingWire

<sup>6</sup> [https://www.wsj.com/articles/everywhere-you-look-the-global-supply-chain-is-a-mess-11616019081?mod=hp\\_lead\\_pos3](https://www.wsj.com/articles/everywhere-you-look-the-global-supply-chain-is-a-mess-11616019081?mod=hp_lead_pos3)

<sup>7</sup> <https://www.cnn.com/2021/03/18/lyft-says-it-just-had-the-most-weekly-riders-since-start-of-pandemic.html>

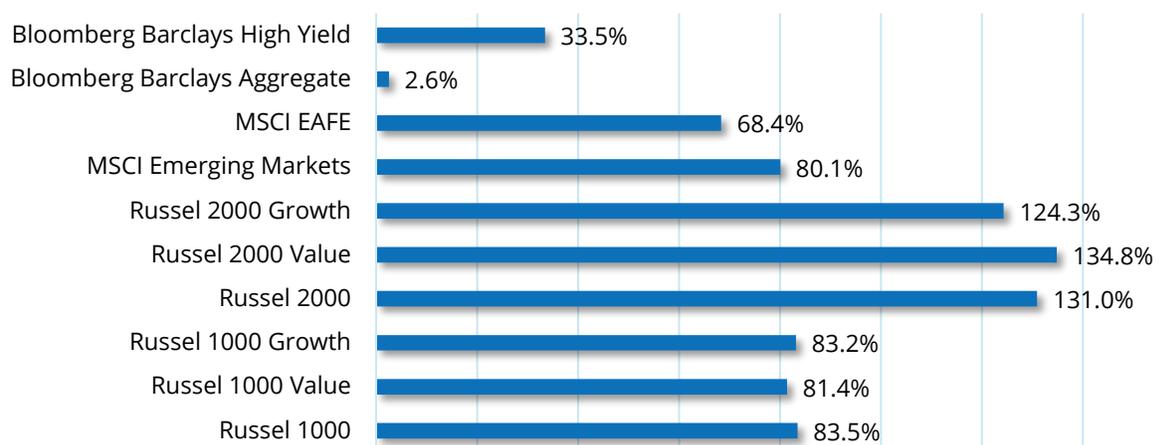
<sup>8</sup> Steetinsider

<sup>9</sup> <https://www.reuters.com/article/uk-india-cryptocurrency-ban/india-to-propose-cryptocurrency-ban-penalising-miners-traders-source-idUSKBN2B60QP>

partially fund the program. President Biden would oversee the first major federal tax hike since 1993 for both high income earners and corporations. Early reports suggest the following proposals are under consideration (from Bloomberg): raising the corporate tax rate to 28% from 21%, paring back tax preferences for so-called pass-through businesses—such as limited-liability companies or partnerships, raising the income tax rate on individuals earning more than \$400,000, and expanding the estate tax's reach, and a higher capital-gains tax rate for individuals earning at least \$1 million annually. Without the support of at least ten Republicans—it currently looks unlikely any Republican Senators will support this tax initiative—the Biden team would need to pass the tax increase through simple majority in the Senate utilizing the reconciliation procedure. The reconciliation process is a Senate procedure that allows for passage of one spending bill and one revenue/tax bill per year to be passed with a simple majority rather than require at least 10 votes from the minority party.

## CHART OF THE WEEK

### One Year Later



Source: Clearstead, Bloomberg, Data as of 19-March

Nearly one year after markets bottomed (23-March-2020), capital markets have seen record rallies, having only been interrupted by a handful of small pullbacks. The exception of course is in fixed income markets where low yields have limited gains for the asset class.

Carl Tippit, CFA  
Head of Investments  
Clearstead

Aneet Deshpande, CFA  
Chief Strategist  
Clearstead

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