
LAKE ST

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# Biden proposes a new budget

President Joe Biden announced his plans for a $6 trillion US budget in the coming year. This would represent a one-third boost to federal spending compared to pre-coronavirus levels, and would be the highest sustained federal spending level since World War II. His plan is also expected to raise government spending to $8.2 trillion by 2031.

Why does Biden see the need for such a boost in federal spending? For one, the current administration is seeking to rebuild the nation's infrastructure which is in desperate need of repair. Concurrently, the plan would also boost spending on education and healthcare. While this spending could benefit many Americans, it shows a disregard for the current budget deficit, which is likely to remain above $1 trillion if the plan is approved.

This plan is to be expected from the Democrat-controlled government which is attempting to play a bigger role in the US economy for years to come. Biden cited the need for direct government intervention to support most Americans in a time where the coronavirus will continue to see lingering negative effects on the nations' economy. "The pandemic has only made things worse. Twenty million Americans lost their job in the pandemic, working- and middle-class Americans," Biden noted in a recent speech.

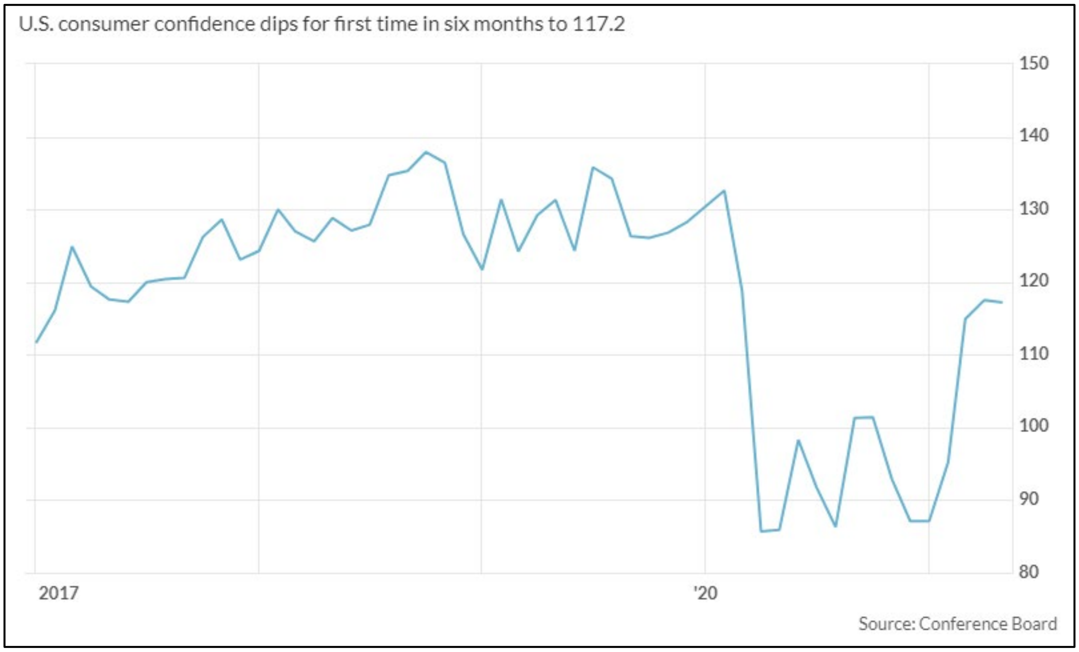
However, it's unlikely the plan will be passed as it has been proposed, as it will need to clear both chambers of Congress.

## Consumer confidence wanes

After spending much of 2020 at home and living in fear, it was expected that consumers would jump at the chance to resume their regularly scheduled activities. And in the beginning of 2021, this was the case, with consumer confidence growing rapidly with the rollout of coronavirus vaccines around the country. However, the past month saw a decline in consumer confidence, as the public is now concerned about how the economy will look post-covid.

For the first time in six months, the consumer confidence index fell, from 117.5 in April to 117.2 in May. This might not seem like a big decline, but the concern is that consumer confidence won't fully recover to pre-pandemic levels when the index was above 130.

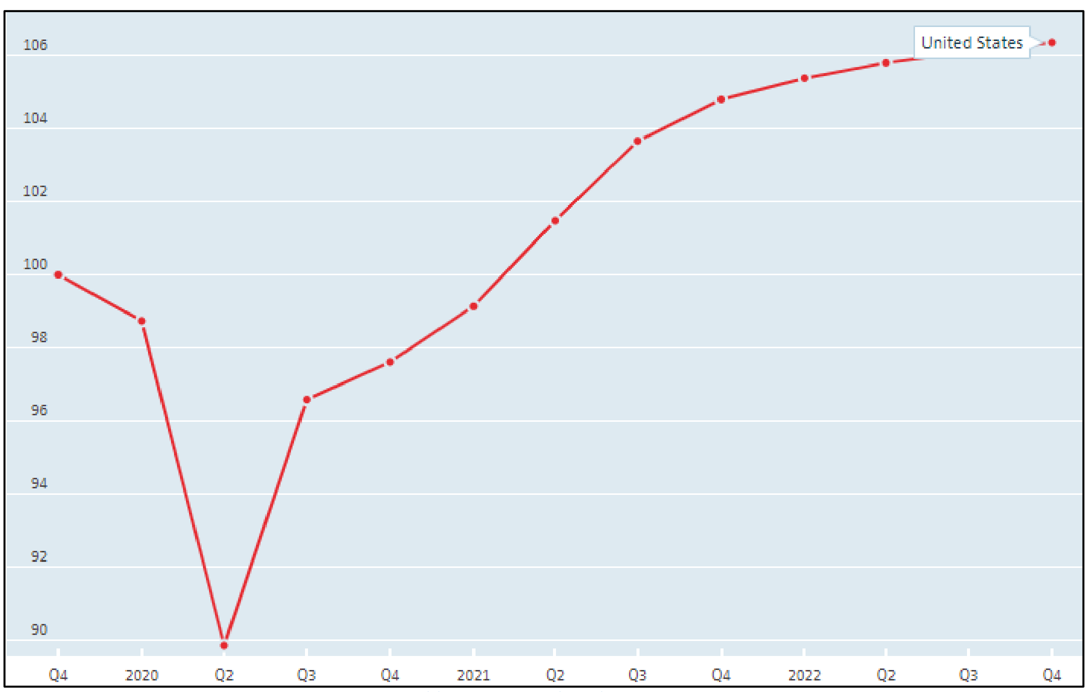
Even as fears of the coronavirus have slowed, consumers have acknowledged an increased fear of inflation and joblessness. Prices on big ticket items like cars and houses are soaring, and consumers are less optimistic about their future prospects than before. According to the survey, more Americans expect there to be fewer jobs in the coming months, leading them to feel less optimistic about the future of the American economy.




Source: https://www.marketwatch.com/story/consumer-confidence-slips-in-may-for-first-time-in-six-months-on-worries-about-jobs-and-inflation-11621952096

## Fast growth expected for US economy

According to the Organization of Economic Cooperation and Development, the United States economy is expected to grow at its fastest pace in over 40-years. GDP is anticipated to hit a yearly growth rate of 6.9%, its highest such mark since 1984. This is in large part thanks to a timely rollout of the COVID-19 vaccine throughout the country and allowing businesses to start operating at full capacity once again. To-date, more than 50% of the US population has received at least one vaccine dose. Additionally, timely economic stimulus and direct relief to Americans helped to keep the economy afloat during this difficult period.



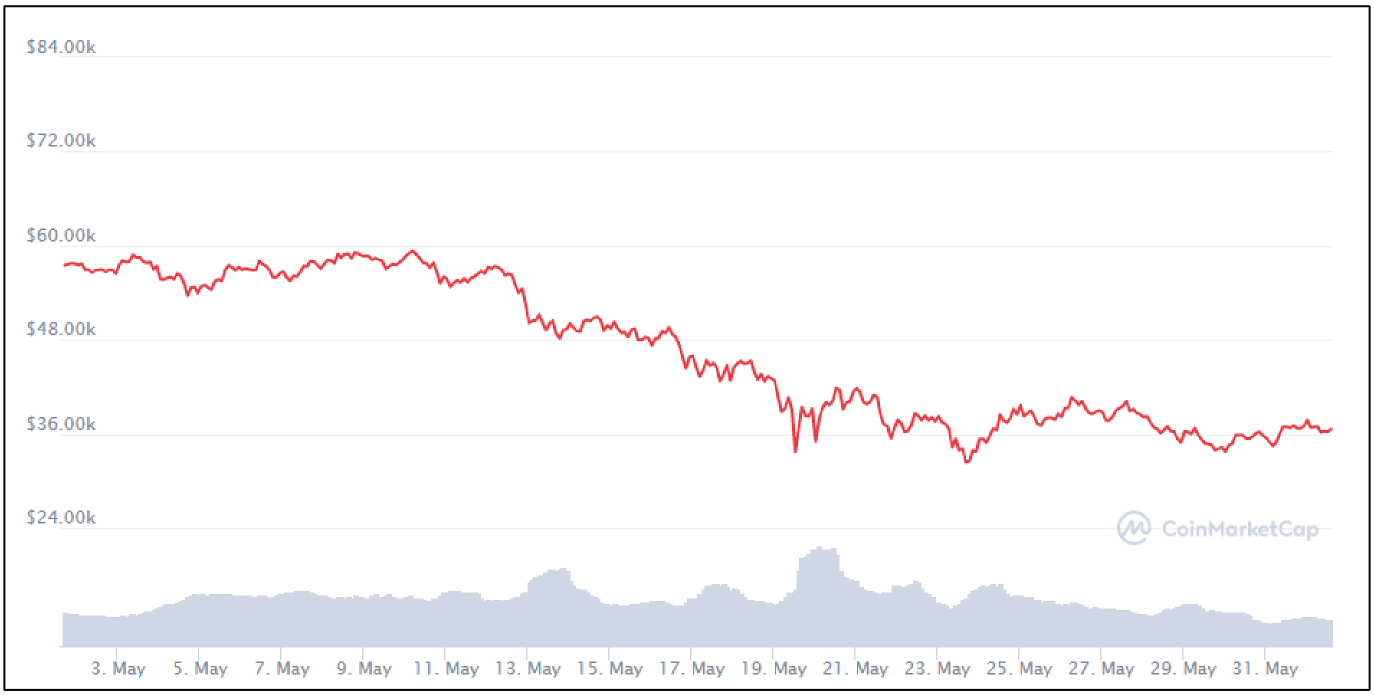

Source: https://data.oecd.org/gdp/real-gdp-forecast.htm

However, this growth rate does have to be put into context, and only comes following a devastating year to the country. 2020 saw a 3.5% GDP contraction for the US economy, which was severely depressed as a result of the coronavirus pandemic. It will be important to monitor this growth rate in the coming years when the country resumes its regular economic output as the global pandemic winds down.

## Cryptocurrencies take a hit

After a strong start to 2021, cryptocurrencies faltered in May. The market lost almost half of its value in a matter of weeks, with Bitcoin falling from a high near $60,000 to below $32,000 at one point in the month. A series of negative news stories caused the decline, which industry insiders often refer to as Fear, Uncertainty, and Doubt (FUD). These include:

- A ban on coal-based cryptocurrency mining in China
- Tesla taking a negative stance on the environmental impacts of cryptocurrencies
- The US government requiring businesses to report all crypto transactions greater than $10,000
- Increased interest in Central Bank Digital Currencies (CBDCs)




Source: https://coinmarketcap.com/currencies/bitcoin/

## The Fed hinting at loosening its policy?

These days, whenever someone at the Fed talks, the entire country listens. And in May, the Federal Reserve vice chair for supervision Randal Quarles made a statement that some believe hints to loosening policy, while others have brushed aside as conjecture. At a Brookings Institution event, Quarles noted, "If my expectations about economic growth, employment and inflation over the coming months are borne out ... and especially if they come in strong ... it will become important for the (Federal Open Market Committee) to begin discussing our plans to adjust the pace of asset purchases at upcoming meetings."

It's important to note that Quarles was simply making a forward-looking statement, and no Fed action was being taken as a result of his comments. But it still raised questions as to whether the Fed is starting to get concerned about inflation, and if its $120 billion in government securities purchases should be tapered.

**TREASURYS**

| TICKER | COMPANY | YIELD | CHANGE | %CHANGE |
|---|---|---|---|---|
| US3M | U.S. 3 Month Treasury | 0.015 | 0.002 | 0.00 |
| US1Y | U.S. 1 Year Treasury | 0.046 | 0.003 | 0.00 |
| US2Y | U.S. 2 Year Treasury | 0.147 | 0.002 | 0.00 |
| US5Y | U.S. 5 Year Treasury | 0.814 | 0.014 | 0.00 |
| US10Y | U.S. 10 Year Treasury | 1.628 | 0.035 | 0.00 |
| US30Y | U.S. 30 Year Treasury | 2.315 | 0.044 | 0.00 |

Source: https://www.cnbc.com/2021/05/26/treasury-yields-mixed-as-fed-calms-inflation-concerns.html

While the Fed continues to claim that any inflation is only temporary, consumers are seeing rising prices across the board, from gasoline to lumber and beyond. Quarles noted that he believes inflation could be a bigger problem than just temporary, in which case the Fed would have to act fast to quell runaway inflation in the US economy. Treasury yields ended the month flat, with investors eyeing more guidance from the Fed before making any major moves.

## Articles We're Reading

China is heading into an economic perfect storm… (link)

Trillions of pounds of trash: New technology tries to solve an old garbage problem… (link)

A Resurgent World Economy Is Seen Leaving Many Behind… (link)

# Market Snapshot

### For the Month Ending 5/31/2021 (Cumulative Returns)[1]

| United States Markets | 1-Month | 3-Month | YTD | 1-Year |
|---|---|---|---|---|
| Dow Jones Industrial Average | 1.93%↑ | 11.63%↑ | 12.82%↑ | 36.03%↑ |
| S&P 500 | 0.55%↑ | 10.31%↑ | 11.93%↑ | 38.10%↑ |
| The NASDAQ Composite | 1.53%↓ | 4.22%↑ | 6.68%↑ | 44.88%↑ |
| U.S. Mid Cap | 0.82%↑ | 8.59%↑ | 13.85%↑ | 48.24%↑ |
| U.S. Small Cap | 0.24%↓ | 5.56%↑ | 15.52%↑ | 58.97%↑ |

| Global Markets | 1-Month | 3-Month | YTD | 1-Year |
|---|---|---|---|---|
| Nikkei 225 | 0.33%↓ | 0.63%↓ | 6.21%↑ | 33.00%↑ |
| Hang Seng | 0.18%↑ | 0.50%↑ | 6.95%↑ | 25.90%↑ |
| Shanghai Comp | 4.16%↑ | 2.61%↑ | 3.68%↑ | 26.51%↑ |
| FTSE 100 | 0.76%↑ | 8.32%↑ | 8.70%↑ | 15.57%↑ |
| DAX | 1.49%↑ | 12.58%↑ | 13.13%↑ | 31.74%↑ |

| Fixed Income | 1-Month | 3-Month | YTD | 1-Year |
|---|---|---|---|---|
| Corporate Bonds | 0.62%↑ | 0.17%↑ | 3.89%↓ | 2.32%↑ |
| Municipal Bonds | 0.35%↑ | 1.68%↑ | 0.44%↑ | 3.60%↑ |
| High Yield Bonds | 0.04%↑ | 1.90%↑ | 1.26%↑ | 10.82%↑ |

| Market Indicators | Rate | Market Indicators | Value |
|---|---|---|---|
| 10 Year Treasury | 1.58% | WTI Crude Oil | 66.32 |
| Fed Funds Target | 0 to 0.25% | Gold - Spot Price | 1,902.64 |
| Inflation Rate | 4.2% | U.S. Dollar | 90.06 |
| Unemployment Rate | 6.1% | CBOE Volatility Index | 16.76 |

[1]Source – Morningstar, Inc. Corporate Bonds is presented as the iShares iBoxx $ Investment Grade Corporate Bond ETF. Municipal Bonds is presented as the iShares National Municipal Bond ETF. High Yield Bonds is presented as the iShares iBoxx $ High Yield Corporate Bond ETF. 10 Year Treasury refers to the valuation of a 10 Year Treasury Note, a debt obligation issued by the U.S. Department of the Treasury. Fed Funds Target represents upper limit of the federal funds target range established by the Federal Open Market Committee. Inflation Rate provided for the purposes of this report by the U.S. Bureau of Labor Statistics. Unemployment Rate calculated by the U.S. Bureau of Labor Statistics. WTI Crude Oil refers to the price of a barrel of West Texas Intermediate NYMEX) Crude Oil. Gold – Spot Price relates to the valuation of an ounce of gold, as traded on the NYSE Arca Exchange. U.S. Dollar refers to the U.S. Dollar Index (DXY). All Returns are denominated in USD (United States Dollar), unless otherwise explicitly noted.

# Did You Know?

### Covid vaccines rising quickly

According to recent data, coronavirus vaccinations are quickly hitting most of the world in a big way. The most recent statistics show that over 430 million people are fully vaccinated against the coronavirus, with another 410 million people partially vaccinated. The countries doing the best when it comes to vaccinating their populations are San Marino (61.8% of population fully vaccinated), Israel (59.3% of population fully vaccinated), and Saint Helena (58.1% of population fully vaccinated). Currently, the United States has 40.4% of its population fully vaccinated, putting it 14th on the list of all countries.

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**Presented by the Investment Committee of Lake Street, an SEC Registered Investment Adviser**