



**CITY NATIONAL ROCHDALE**   
AN RBC/CITY NATIONAL COMPANY 

# The **BOTTOM LINE**

Relevant Insights for the Savvy Investor

APRIL 2021

## THIS RECOVERY IS NOT A SUGAR HIGH

The March economic data we've seen so far this month has been explosively strong (confidence, manufacturing, labor, service sector and household spending). It is creating a wave of powerful momentum that we believe will continue for several months.

Of all those reports, the labor report is the most important and was unambiguously encouraging. The March increase, along with revisions, puts the net gain in payrolls over 1 million.

Since the worst of the pandemic, about 14 million jobs have been created, representing a 63% recovery from the 22 million jobs lost. There is still a lot of ground to make up; 8.5 million Americans remain unemployed from last year's peak (chart 1).

The virus is still a concern, but not an alarming one. Cases have ticked up a notch (in states where public schools have reopened, spring break, etc.) (chart 2), and hospitalizations are up sharply in a few states but have hardly budged nationally. Deaths continue on a downward trend.

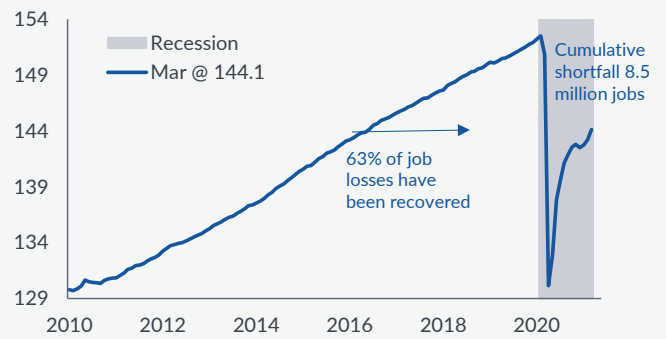
The improving public health situation (34% of the population have received at least one vaccination), Fed monetary policy on hold, plenty of cash sitting in bank accounts (chart 3) and warmer weather are all contributing to the public getting out (chart 4) and spending money, leading to the more substantial rate of economic growth.

With the liftoff of the economy behind us, the focus is on how strong and long the economic recovery/expansion will last. For the economy to be sustainable, it can't be just pent-up demand and money in the bank from federal stimulus checks. Instead, a feedback loop needs to be established: an increase in consumer spending, which leads to a boost in corporate profits, which leads to companies hiring more and investing in their business, which gets us back to more consumer spending.

In the economic expansion before the pandemic, the pace of GDP growth was relatively anemic due to weakness in companies investing in their business. This recovery doesn't seem to be on that path, mainly because there is greater access to credit.

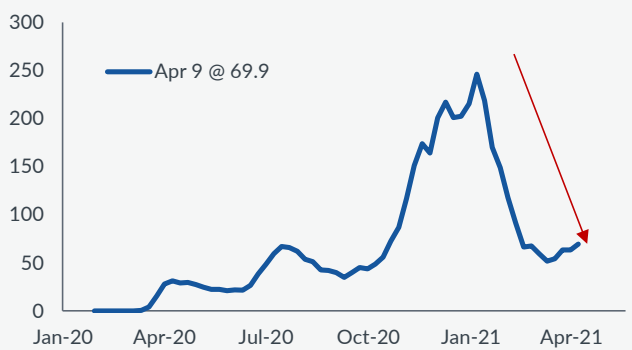
**CHART 1: Nonfarm Payrolls**

millions, seasonally adjusted



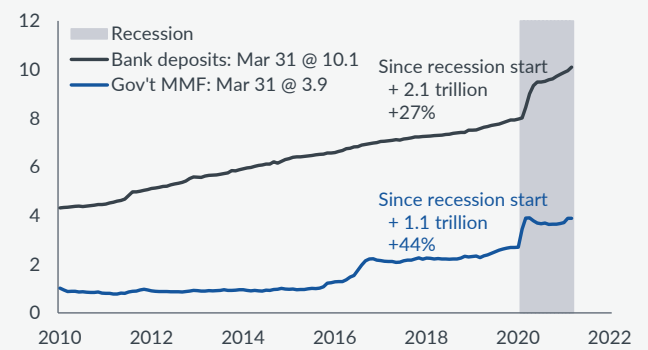
**CHART 2: COVID-19 U.S. - Confirmed Cases: Daily Change**

'000, weekly data, divided by 7



**CHART 3: Available Cash & MMF**

\$, trillion



**CHART 4: National Mobility and Engagement Index: Dallas Fed**

7-day rolling average, not seasonally adjusted



Sources: Bureau of Labor Statistics, Centers for Disease Control, Federal Reserve, Investment Company Institute, Federal Reserve of Dallas.

City National Rochdale, LLC is a registered investment advisor and a wholly-owned subsidiary of City National Bank. City National Bank provides investment management services through its sub-advisory relationship with City National Rochdale, LLC.

Non-deposit Investment Products: ■ are not FDIC insured ■ are not Bank guaranteed ■ may lose value

# THE STOCK MARKET

U.S. equity markets continue to hit record highs, with optimism over reopening and further fiscal stimulus for now outweighing concerns over rising interest rates, higher inflation and potential tax increases. Fundamentals remain positive, but investors should brace for more volatility ahead.



## COVID-19

COVID-19 cases and hospitalizations have flattened in the U.S., but evidence has emerged that vaccinations are having the desired effect. We expect more widespread vaccinations to drive U.S. COVID-19 data downward.



## INFLATION

Prices are taking a pop as a reopened economy is causing demand to outpace supply. Prices are expected to retreat toward the end of the year.



## THE FED

Although the economic outlook is getting brighter by the day, the Fed will not alter their course until they see sustainable economic growth.



## LABOR

Payroll growth is expected to be strong in coming months amid lower COVID-19 cases, continued relaxation of business constraints and a growing number of Americans receiving vaccinations.



## GDP

Since the beginning of the year, analysts have been upgrading their view on economic growth, which is expected to be around 6.5%, making it the most robust rate in almost 40 years.



## HOUSING

Despite slightly higher mortgage rates and higher prices for homes, demand continues to surge, as buyers are looking for larger homes.

**Important Disclosures**

The information presented does not involve the rendering of personalized investment, financial, legal, or tax advice. This presentation is not an offer to buy or sell, or a solicitation of any offer to buy or sell, any of the securities mentioned herein.

Certain statements contained herein may constitute projections, forecasts, and other forward-looking statements, which do not reflect actual results and are based primarily upon a hypothetical set of assumptions applied to certain historical financial information. Certain information has been provided by third-party sources, and although believed to be reliable, it has not been independently verified, and its accuracy or completeness cannot be guaranteed.

Any opinions, projections, forecasts, and forward-looking statements presented herein are valid as of the date of this document and are subject to change.

There are inherent risks with equity investing. These include, but are not limited to, stock market, manager, or investment style risks. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in international markets carries risks such as currency fluctuation, regulatory risks, and economic and political instability.

There are inherent risks with fixed income investing. These may include, but are not limited to, interest rate, call, credit, market, inflation, government policy, liquidity, or junk bond risks. When interest rates rise, bond prices fall. This risk is heightened with investments in longer-duration fixed income securities and during periods when prevailing interest rates are low or negative.

Investing involves risk, including the loss of principal.

As with any investment strategy, there is no guarantee that investment objectives will be met, and investors may lose money.

Past performance is no guarantee of future performance.

Non-deposit investment products are not FDIC insured, are not bank guaranteed, and may lose value.

City National Rochdale, LLC is a registered investment advisor and a wholly-owned subsidiary of City National Bank. City National Bank provides investment management services through its sub-advisory relationship with City National Rochdale, LLC.

Non-deposit Investment Products: ■ are not FDIC insured ■ are not Bank guaranteed ■ may lose value