

Highlights from March 30 Federated Hermes virtual event

- The Big News is the Economic Rebound, which has been dramatic and broad based.
 - Dramatic Fastest economic recovery in history
 - May be at peak 2019 levels before the end of 2021.
 - Broad based
 - Have put twice as many people back to work as had ever before, but more than double (Have already put over 85% of unemployed back to work in less than a year)
 - Manufacturing, Retail Sales and Existing Home sales all at or above previous highs
 - Unlike previous recessions, disposable income is HIGHER after the recession than before given the extraordinary rescue packages.
 - Corporate bankruptcies are well below 2009 levels and falling.
- 3 Sources of "Stimulus": Reasons the Economy Continues to Heat Up
 - Vaccines
 - 3 Vaccines currently available with a greater than 90% success rate of preventing both symptoms and spreading of COVID-19.
 - It is hard to overstate how good this is.
 - Similar success to Polio vaccine, and I have not ever walked out the front door ever worried about getting Polio.
 - The US is leading the Developed world in Vaccine distribution to our citizens.
 - The only countries with a higher percentage vaccinated are tiny countries like Malta, etc.
 - Current Fiscal Package
 - Prior to the most recent \$1.9T stimulus, we had already provided 30% of GDP in stimulus. Now it is closer to 40% of GDP.
 - Child Tax Credit-
 - Increased from \$2,000 per child to
 - \$3600 for child under 6
 - \$3000 for child OVER 6 but under 18
 - Don't need to wait for 2021 Tax Filing.
 - As early as July, will begin distributing prorated amount monthly (\$250-\$300 per child) so you don't need to wait until filing taxes next year.
 - This is perceived as a trial run at Uniform Basic Income
 - More Fiscal Packages coming?
 - Infrastructure and SOCIAL Infrastructure (Universal PreK, etc)
 - This inevitably would need to be backed with a Tax hike.
 - Monetary Policy is also quite accommodative.
 - With the Fed Funds rate at zero and the fed on hold for a while, the cost of borrowing is very low
- Will inflation spoil the party?
 - Do not confuse Temporary Price hikes with a persistent shift in real inflation.
 - Example:
 - Bruce Springsteen's first concert is going to sell out in seconds, and people who put their tickets on stub-hub will sell them for thousands. But that doesn't mean

- Starts with understanding the fed. They set the risk-free rate, which impacts 10yr treasury, which impacts stock valuations.
- How can that change? Is if inflation going to actually get out of control?
 - Overspending as a v
- Inflation
 - What's going to happen to Filibuster? If it remains, this is the last bill that the democratic congress will pass this year. If not, then all bets are off.
- Risk of a Housing bubble and crash?
 - Not likely. Quite the opposite actually.
 - Demographic argument - Millennials buy a house when they have their first kid. Biggest group (65%) of largest generation ever hit 30yo in 2020.
 - Chronic underbuilding has led to huge demand.
- How will travel industry recover?
 - Huge. We are going to travel and going to travel in mass.
 - Travel last week was 90% of 2019.
- Unethical for everyone, and illegal for Fiduciaries, to offer investment advice without understanding their situation.
 - Unethical to post on a chat room.
 - Equally unethical for hedge fund to trash talk a company you are short.
 - 75% of money is with those age 50 and older.