

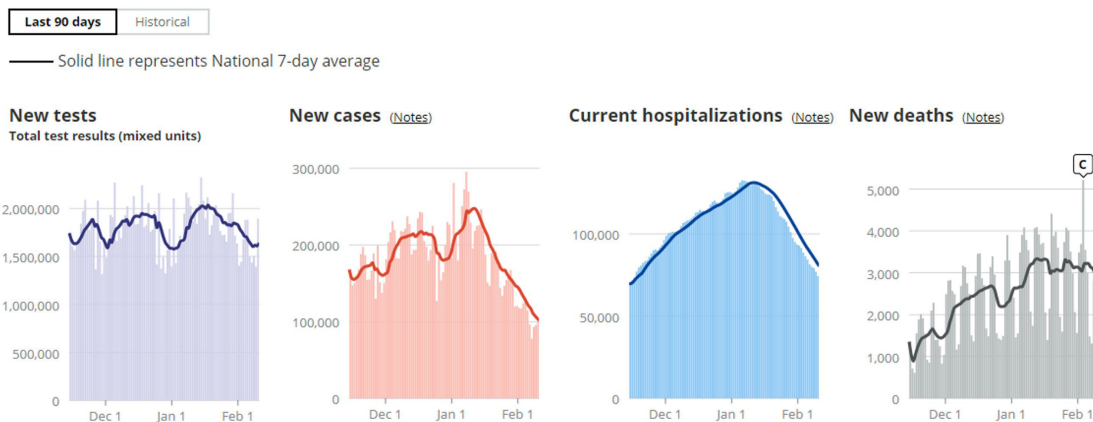
WEEK IN REVIEW

FRIDAY, FEBRUARY 12TH 2021

1. COVID INCIDENCE IS FADING

Daily new coronavirus cases in the US have been declining since early January to now under 100,000 per day. Current hospitalizations have followed by also declining to around 75,000 as of 2/11/2021. Since vaccination efforts began in the US on December 14th, more than 46.3 million doses have been administered and more than 11.2 million people were fully vaccinated per the CDC. The US is currently administering around 1.6 million shots a day, up from 1 million at the beginning of January.

Overview of National COVID-19 Data



Source: covidtracking.com/data

All of the current vaccinations have been administered using either Pfizer or Moderna's vaccine. Johnson & Johnson, Novavax, and AstraZeneca have reported positive data on their respective vaccine candidates, raising the prospects for more available vaccines as the year rolls on.

2. STIMULUS TALKS CONTINUE

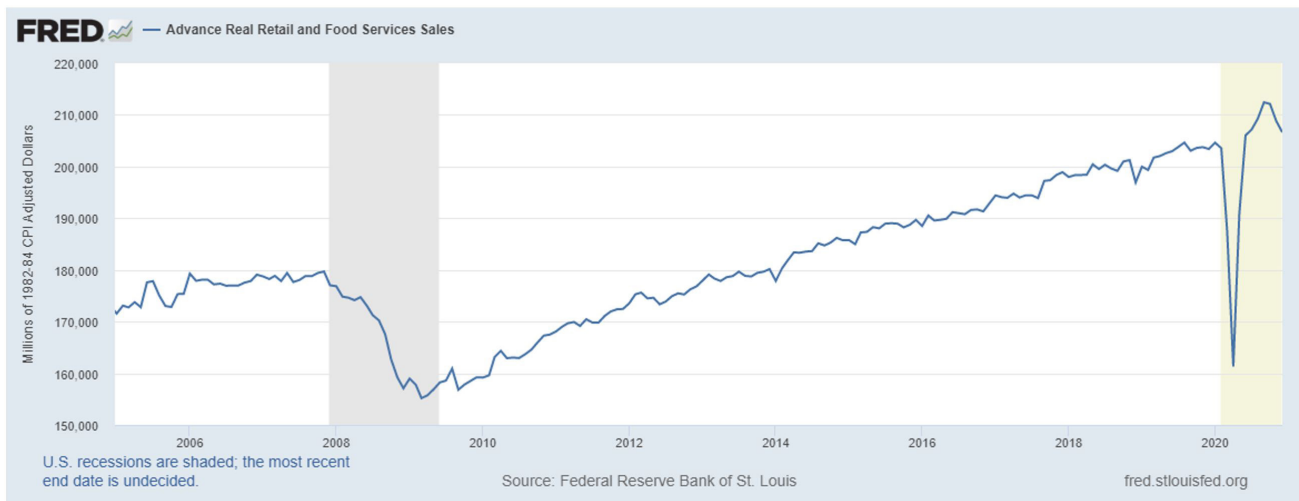
While the coronavirus news has improved in the short term, Washington is still debating another stimulus bill. Job market growth has stalled, and many areas of the Main Street economy remain under duress. Updates regarding the Biden administration's stimulus push has been relatively quiet this week. Elements of his proposed \$1.9 trillion package are being debated within individual House committees. This week the Ways and Means Committee approved parts related to the \$1,400 direct checks and expanding the child tax credit (The Hill), while the Financial Services Committee passed through a \$14 billion airline-relief proposal (Reuters). Next week, the House Budget Committee may sew up the legislation, with a vote sometime before the end of the month. Democratic leaders are targeting to get the stimulus process wrapped-up before extended unemployment benefits expire on March 14th.

3. ECONOMIC DATA SHOWS RECOVERY IS SLOWING

Per CNBC, job growth returned to the US in January, with nonfarm payrolls increasing by 49,000, while the unemployment rate fell to 6.3%, the Labor Department said on 2/5/2021 in the first employment report of the Biden administration. Economists surveyed by Dow Jones had been looking for growth of 50,000 and the unemployment to hold unchanged at 6.7%. However, many analysts on Wall Street had been looking for higher numbers; Citigroup had projected a gain of 250,000.

The soft report versus Wall Street expectations did not impact markets negatively, as stocks opened positive and longer-duration government bond yields moved higher. The sharp drop in unemployment came as the labor force participation rate edged lower to 61.4% and 406,000 workers left the labor force. However, a more encompassing measure of unemployment that includes discouraged workers and those holding part-time positions for economic reasons also fell, dropping to 11.1% from 11.7% in December.

In other measurements of the recovery from the pandemic, retail sales have improved to above pre-pandemic levels. While the recovery is strong, the improvement has slowed in recent weeks which highlights the need for additional stimulus.



Source: fred.stlouisfed.org

THINKING AHEAD

Coronavirus cases have dramatically improved since the beginning of the year, and the vaccine rollout continues to accelerate. The country is far from normal activity in many sectors with improvement in macroeconomic data stalling out. Odds remain high for another stimulus package to aid the economy until normal activity can return. Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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