

WEEK IN REVIEW

FRIDAY, MARCH 19TH 2021

1. 10-YEAR US TREASURY YIELDS UP FOR EIGHTH STRAIGHT WEEK

According to FactSet, 10-year yields are on track to finish higher for an eighth straight week with the 10-year yield close to 1.7%. Several factors driving the move include positive reopening headlines and news about supply shortages and related price increases. The [WSJ](#) discussed how the US economic recovery is gaining traction as Americans boost spending, particularly on in-person services that were crushed by the pandemic. Restaurant and hotel bookings are up, airplane tickets are selling fast, and consumers have begun to spend more on gyms, salons, and spas. The 10-year yield is now approaching pre-pandemic levels.



Source: <https://www.macrotrends.net/2016/10-year-treasury-bond-rate-yield-chart>

2. FEDERAL TAX HIKE DISCUSSIONS HAVE BEGUN

[Bloomberg](#) and [WSJ](#) report that the Biden administration is planning the first major federal tax hike in nearly three decades to help pay for key economic initiatives, including infrastructure, climate, and expanded help for lower-income Americans. Key advisers are preparing for a package of measures that would mirror Biden's campaign proposals, including raising the corporate tax rate, paring back preferences for pass-through businesses, and a more progressive tax code for high-wage earners.

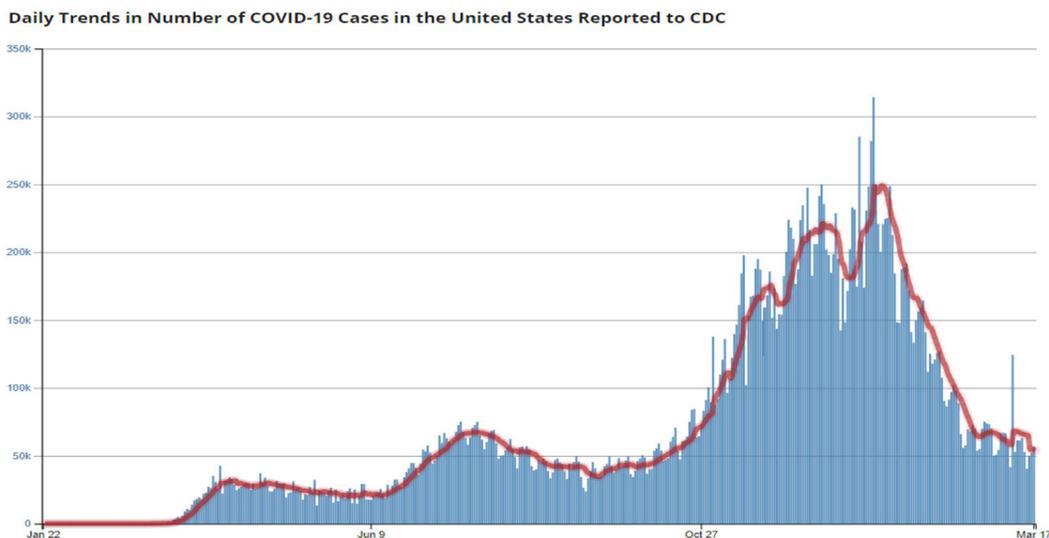
Reports said that if passed, the tax measures would likely take effect in 2022, though some outside the White House have argued for holding off while unemployment remains high due to the pandemic.

3. TREASURY SECRETARY YELLEN PLAYS DOWN INFLATION RISKS THOUGH PUTS DEFICITS IN FOCUS

Treasury Secretary Yellen told ABC's "This Week" that there's a small risk of inflation, though she says it is manageable and that there are tools to address it ([WSJ](#)). However, Yellen cautioned in the longer-run, deficits will have to get under control. These comments come amid broader concerns around inflation and Treasury supply that led to a recent backup in yields. Debt dynamics are in focus as Republicans and some moderate Democrats have pushed back against rising deficits, including Sen. Joe Manchin's comment last week that he'll insist that the infrastructure package is 100% paid for ([Axios](#)).

4. CORONAVIRUS VACCINATIONS STEADILY CLIMB

Since vaccination efforts began in the US on December 14th, more than 115.7 million doses have been administered and more than 40.9 million people are fully vaccinated per the CDC. The US is currently administering around 2.4 million shots a day, up from 1 million at the beginning of January. Daily new coronavirus cases in the US have been declining since early January and are now averaging around 50,000 per day, the lowest since October 2020.



Source: https://covid.cdc.gov/covid-data-tracker/#trends_dailytrendscases

THINKING AHEAD

Interest rates are rising in the US on a recovering economy and fiscal stimulus package. Discussions have begun on ways to pay for the Biden administration spending plans on stimulus and infrastructure. The Federal Reserve is poised to keep short rates low for a number of years as the economy recovers. US vaccinations steadily climb giving more hope to sustained economic activity in 2021. Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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