



Thursday, March 11, 2021

## President Biden Signs the American Rescue Plan

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After several weeks of wrangling in the House of Representatives and Senate, President Biden today signed into law the American Rescue Plan Act of 2021. This \$1.9 trillion coronavirus relief package is designed to accelerate the U.S. economy's recovery and fund the healthcare response to the COVID-19 pandemic. The American Rescue Plan adds to an already historic level of stimulus in the U.S. and around the world to combat the economic impacts of the COVID-19 pandemic.

The American Rescue Plan (ARP) extends some aspects of previous pandemic-related stimulus measures and adds several new strategies. The ARP includes a range of economic stimulus measures, including direct stimulus payments of \$1,400 per qualifying person, extension of unemployment benefits, continuation of eviction and foreclosure moratoria, an increase in the Child Tax Credit, and additional funding for the Paycheck Protection Program. This package also provides funds to state and local governments to offset lost tax revenues and schools to safely reopen during the pandemic and provides subsidies for COVID-19 testing and vaccination programs.

The ARP is the latest stimulus package passed to address the COVID-19 pandemic, and it follows in the wake of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and the nearly \$900 billion stimulus included in the Consolidated Appropriations Act of 2021, passed late last year. While the act made its way through Congress along strictly partisan lines, more than two-thirds of Americans voiced support for the \$1.9 trillion package, according to a Quinnipiac University survey conducted in February. Only 24 percent of respondents opposed it.

With the ARP, Washington policymakers are seeking a balance between providing enough support to spur economic and labor market recovery and being mindful of swelling national debt and deficits. Investors are experiencing a similar tug-of-war as they recalibrate their expectations about the potential impacts of the ARP on growth and earnings conditions, inflation risks, and the future policy environment.

Over the past several weeks, both the stock and bond markets have experienced bouts of volatility as investors grappled with the implications of the American Rescue Plan amid the evolving landscape of worldwide vaccination progress and a reopening economy. Bond prices fell—and yields rose—as investors considered the outlook for growth and inflation, and their potential impact on the future monetary policy environment. Within the stock market, investors continued to favor cyclical, value-oriented stocks over more interest-rate-sensitive growth stocks whose valuations soared last year.

So far, we have seen inflation mostly in asset prices, including homes and stock portfolios. However, a significant economic growth jolt from the ARP, alongside other factors such as a reopening-driven surge in demand, lingering disconnects within global supply chains, and rising commodity prices, creates the potential for inflationary conditions over the intermediate term. The markets may experience further turbulence as uncertainties around these issues become clearer in the coming months.

As always, a well-diversified portfolio tailored to your appetite for risk and personal financial goals and objectives is the best long-term investment strategy, and it can help provide the peace of mind necessary to stay the course through volatile markets and changing market conditions. Periods like the one we are experiencing can be worrying, but they often also create opportunity and prompt long-term investors to consider their asset allocations and ensure that they are taking an appropriate level of risk.

We will continue tracking progress toward getting Americans vaccinated, and the impacts of the American Rescue Plan, and we will keep you apprised of what we learn. In the meantime, please reach out to your CAPTRUST financial advisor if you have questions or concerns.

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