GLENMEDE

Investment Strategy Insights

April 5th, 2021

A Blossoming Economic Recovery

- The Beginning of the Recession's End
  - The optimistic outlook driving risk assets appears justified, with a primed economy ready for takeoff in the back half of this year
- Spotlight on Infrastructure
  - The political process on infrastructure/taxes has just begun, the details of which will warrant ongoing attention for investors
- A Shot in the Arm
  - Encouraging vaccination trends should give investors confidence in a more full-throated economic recovery

Investment Strategy Insights

The Beginning of the Recession's End

- **Gathering Momentum.** A slew of economic indicators pointed to notable improvement in U.S. economic fundamentals last week. The unemployment rate dropped down to 6% and was made more meaningful given the improvement in labor force participation. The ISM* Manufacturing Index jumped higher to 64.7, it's highest level in 37yrs. Consumer confidence** improved notably as well to 109.7, its largest tick higher since 2003. Together, they paint a mosaic of an economy gathering momentum.

- **Unleashed Consumer?** A few non-traditional barometers of consumer activity have begun to pick up steam as well. For example, the TSA tracks the number of travelers passing through its checkpoints on a daily basis – after a year-end traveling hangover, almost 1.5 million U.S. passengers are now boarding planes on average. OpenTable estimates that the number of seated diners in U.S. restaurants began the year ~56% below 2019 levels, but has since recouped about half of that loss. These appear to be signs of follow-through from vaccination progress and economic normalization.

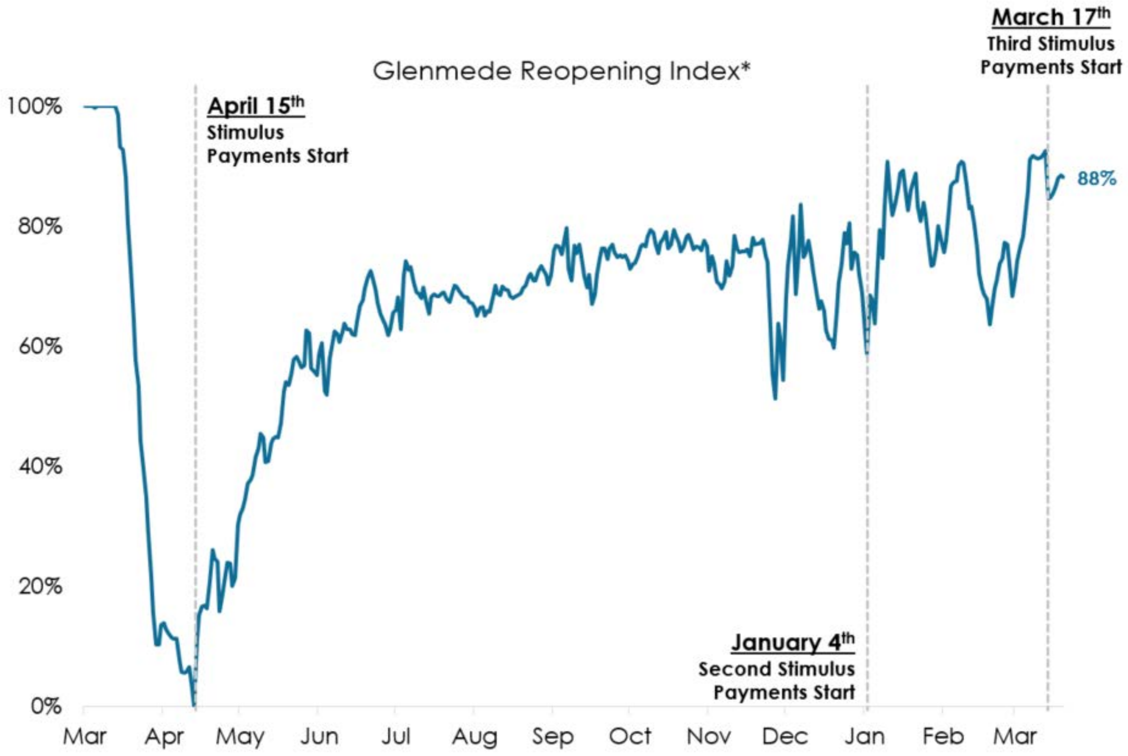
- **Reopening Progress Continues.** Glenmede's Reopening Index, which seeks to estimate the percentage of economic activity that was lost due to social distancing that has since been regained, currently sits at 88%. The Index has begun to accelerate after another sizable round of fiscal stimulus, as it appears to have done after each prior round. However, this time may be different, as a return to a more normal economic environment is beginning to appear more tangible.

The optimistic outlook driving risk assets appears justified, with a primed economy ready for takeoff in the back half of this year

*Institute for Supply Management
**As measured by the Conference Board's Consumer Confidence Index

Chart of the Week:

Economic Reopening Progress Continues



Source: Glenmede, Opportunity Insights Data as of 4/1/2021
*Glenmede's Reopening Index is a proprietary tool developed by Glenmede. It is a balanced mix of high frequency indicators meant to represent the percentage of U.S. economic activity lost during the COVID-19 crisis that has been regained during the reopening with 100% representing the prior pre-pandemic peak level and 0% representing the crisis low. Though created in good faith, there can be no guarantee that these indicators will be accurate.

Investment Strategy Insights

Spotlight on Infrastructure

- **American Jobs Plan.** President Biden unveiled his $2.3 trillion infrastructure package last week. The plan calls for investment in traditional infrastructure categories such as bridges, ports, airports and transit systems, as well as a renewal of the electric grid and expansion of access to broadband internet. To pay for it, the plan calls for higher corporate tax provisions. It's important to note that this is merely the opening act in what is likely to be a long, arduous political process that will unfold over the next few months.

- **Stimulus of a Different Kind.** Unlike the past few rounds of fiscal stimulus, which were designed to immediately put cash in the hands of struggling consumers and businesses, infrastructure spending typically faces a larger lag between implementation and disbursement of funds. It usually takes some time to plan out specific projects that will be undertaken. As a result, the plan's stimulative effects would likely be felt mostly beyond 2021, which could foster a more sustainable rebound in economic activity.

- **Specter of Higher Taxes.** To pay for all this spending, the plan calls for raising corporate tax rates to 28%, after only recently being lowered to 21% in 2017. It also includes provisions for a tax on global intangible income, which could have a meaningful affect on profitability for U.S. multi-nationals. That said, the proposal could change considerably before making its way into law and there is looming uncertainty regarding when it might be implemented. If the tax changes were to take effect as written beginning in 2022, it could translate to a 10% haircut on S&P 500 earnings that year.

The political process on infrastructure/taxes has just begun, the details of which will warrant ongoing attention for investors

A Shot in the Arm

- **Vaccinations Ramping Up.** In early January, the U.S. population was receiving vaccines at a rate of ~200 thousand per day, which has since ramped up considerably to a 2.9 million per day average run rate. In terms of the number of people per capita who have received at least one dose of a COVID-19 vaccine, the U.S. trails only Israel, the United Kingdom, Chile and Bahrain. This is a pretty impressive feat, given the population of the U.S. is many magnitudes larger than most of the aforementioned nations.

- **Pushing Toward Herd Immunity.** The path to herd immunity will likely influence the timing and size of the U.S. economic rebound. In the race to the 70% herd immunity threshold, Glenmede estimates that more than 52% of Americans likely have antibodies at this point, either naturally via infection or vaccination. Based on an extrapolation of the latest inoculation run rates, it appears that the U.S. might begin to flirt with herd immunity on a national level as early as May.

- **Insights at the State Level.** Based on infection rates over the past year and the ongoing vaccine rollout, Glenmede's estimates suggest that South Dakota has become the first state to reach that 70% herd immunity threshold. If the logic flows that reaching this threshold unlocks that state's economic potential, South Dakota represents only 0.2% of U.S. GDP. In contrast, CA, TX, NY, FL, IL, PA, OH and NJ in aggregate make up more than half of U.S. economic activity, so they will be some of the key states to watch amid efforts to reopen.

Encouraging vaccination trends should give investors confidence in a more full-throated economic recovery

Investment Strategy Insights

JASON D. PRIDE, CFA
Chief Investment Officer - Private Wealth

Responsible for formulating investment policy and strategy

Serves as a leading member of the Investment Policy Committee

B.S. from Massachusetts Institute of Technology

MICHAEL T. REYNOLDS, CFA
Investment Strategy Officer

Responsible for supporting the development of investment strategies, policy and portfolio construction methodologies

Is an active member of the CFA® Society of Philadelphia

B.S. from the Wharton School of the University of Pennsylvania

ILONA V. VOVK, CFP®
Investment Strategy Officer

Responsible for supporting the development of investment strategies, policies and portfolio construction methodologies applied to Private Wealth client portfolios

B.A. and B.S. from Drexel University

GLENMEDE CORPORATE FACTS

More than $40 billion in assets under management as of 12/31/2020

Founded in 1956

Serves high net worth individuals, families, family offices, foundations and institutional clients