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Our U.S. economic recovery outlook

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Title graphic: Our U.S. economic recovery outlook

The U.S. economy has been on a roller coaster ride since the spring due to the pandemic. But, it's finally gaining momentum again with news of the slowing rate of infections.

Housing's usual early-cycle recovery is being supercharged by ultra-low mortgage rates and by the release of pent-up demand. This is having a ripple effect on purchases of appliances and home furnishings. And, combined with a strong demand in auto sales, is supporting increased consumer spending on "big-ticket" items. However, other frontline industries most exposed to the pandemic's economic fallout, like travel and entertainment, have been slower to recover. Industries like these may not catch up until there's a significant boost to consumer confidence from a vaccine against the coronavirus.

Remarkably, even a growth-sapping increase in the U.S. foreign-trade deficit has signaled more strength than weakness through solid gains in exports and an even healthier rise in imports tied to domestic spending.

Some economic uncertainties remain, such as the potential of a new surge in COVID-19 infections, but we nonetheless believe that economic momentum is strong enough to produce significant improvement by year-end 2021.

Risks

All investments are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors due to numerous factors some of which may be unpredictable. Be sure your clients understand and are able to bear the associated market, liquidity, credit, yield fluctuation and other risks involved in an investment in a particular strategy.

Forecasts are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

Risks associated with the Consumer Discretionary sector include, among others, apparel price deflation due to low-cost entries, high inventory levels and pressure from e-commerce players; reduction in traditional advertising dollars, increasing household debt levels that could limit consumer appetite for discretionary purchases, declining consumer acceptance of new product introductions, and geopolitical uncertainty that could affect consumer sentiment.

Consumer Staples industries can be significantly affected by competitive pricing particularly with respect to the growth of low-cost emerging market production, government regulation, the performance of the overall economy, interest rates, and consumer confidence.

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