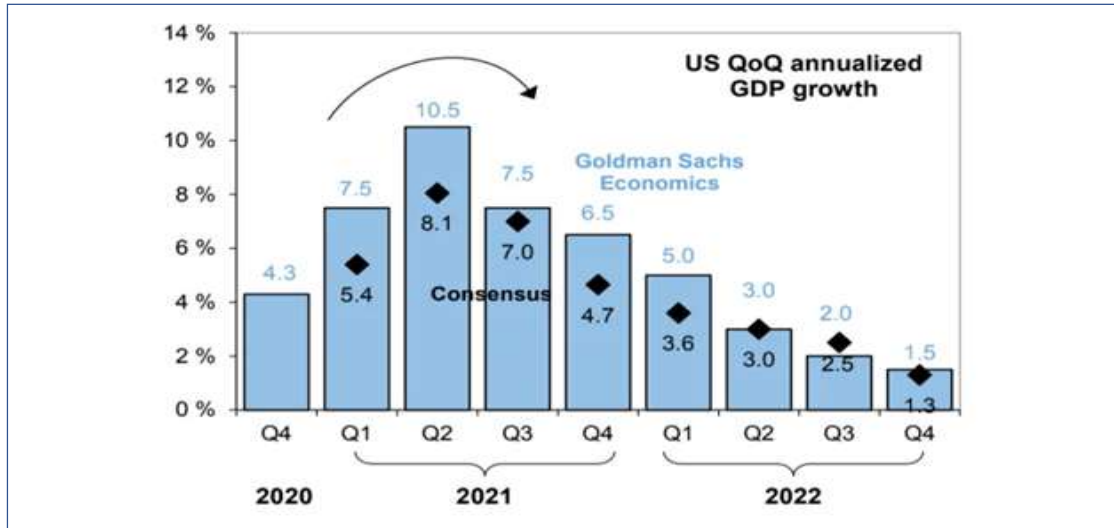


## The Mid-Cycle Transition



Source: Goldman Sachs

## Holding the Fed's Feet to the Fire



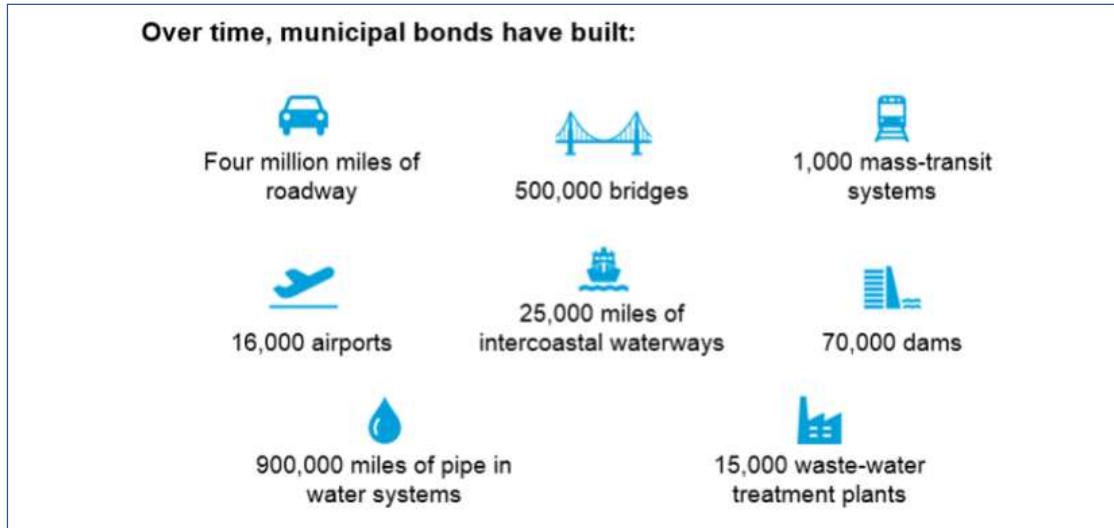
Source: Bloomberg, Atlanta Fed

- Thanks to easy year-over-year comparisons (during the height of the pandemic), GDP growth for the second quarter of 2021 is expected to reach its strongest quarterly growth rate since 1978.
- Although many economists expect U.S. GDP growth will remain both above-trend and above consensus forecasts through the next few quarters, the pace of growth will likely peak within the next two months as the tailwinds from fiscal stimulus and economic reopening reach their maximum impact and then begin to fade.

- The Fed has been clear in its view that recent inflationary pressures will prove temporary. That stance will be tested over the next several months as growth momentum increases the risks of eventually overheating the economy.
- Consumer expectations have risen sharply, businesses are expected to continue raising prices, and supply-side bottlenecks have led to elevated input costs. If wage inflation gets caught up in the current normalization of overall inflation, it is unlikely that the inflation spike will be as transitory as the Fed is currently suggesting.

# Market Recap

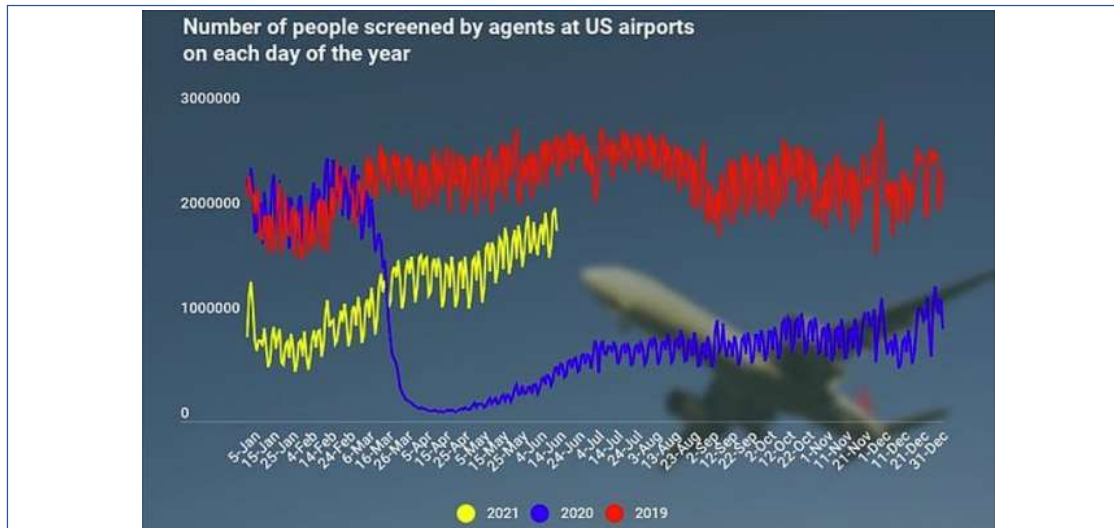
## Financing Planes, Trains, & Automobiles



Source: Franklin Templeton, National League of Cities

- Municipal bonds are issued by state and local governments to raise funds for public projects and general upkeep. Municipalities pay investors back through tax revenues, road tolls, and university tuition, to name a few.
- Favorable tax treatment is a key attraction for investors, as municipal bonds are exempt from federal income tax (and often at the state and local level too). Moreover, because muni bonds are backed by the government, they typically have lower default rates than comparable corporate bonds.

## Taking Flight (Again!)



Source: TSA

- The travel industry recently hit a major milestone – the TSA screened more than 2 million people for the first time since the onset of the pandemic. In a pre-COVID world, this was a daily event.
- With pent-up travel demand, strong vaccination rates, and a climbing number of people screened by the TSA all point towards strength in the travel industry and an economy pushing hard towards a return to normal.

**Contact:** If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at [www.harbourcapitaladvisors.com](http://www.harbourcapitaladvisors.com).

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