

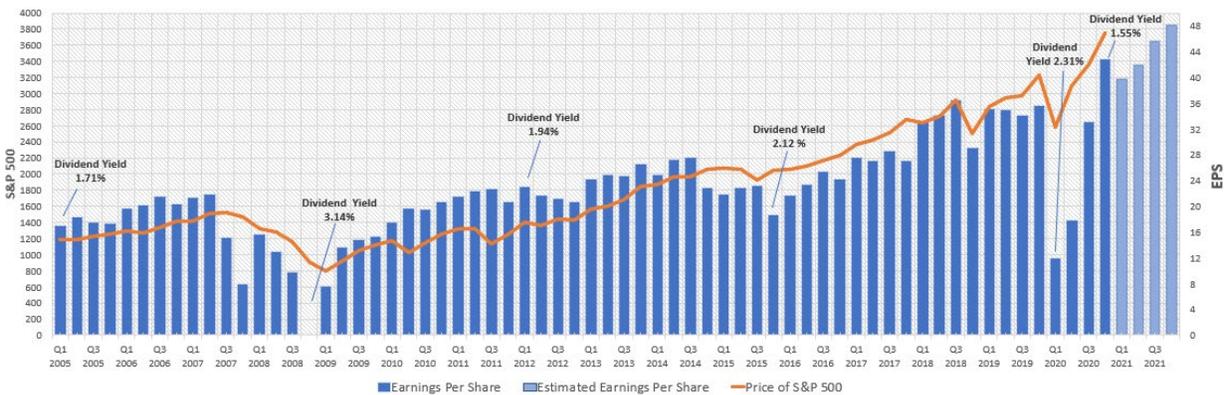


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Archer 2nd Quarter 2021 Outlook:

“There are two kinds of people who lose money: those who know nothing and those who know everything.” – Henry Kaufman

When looking at the stock market, we often look at earnings first and the stock market second. The reason is that the price of the market long-term is predicated by the earnings of the stock market. If companies were making zero dollars and forecasted to make zero dollars, then no one would invest in that company. If you look at the chart below, you will see the earnings and the expected earnings of the S&P 500, which is the 500 companies that make up the index that many people follow.



Looking at the chart for the last 15 years, you might think the market is a bit over valued.

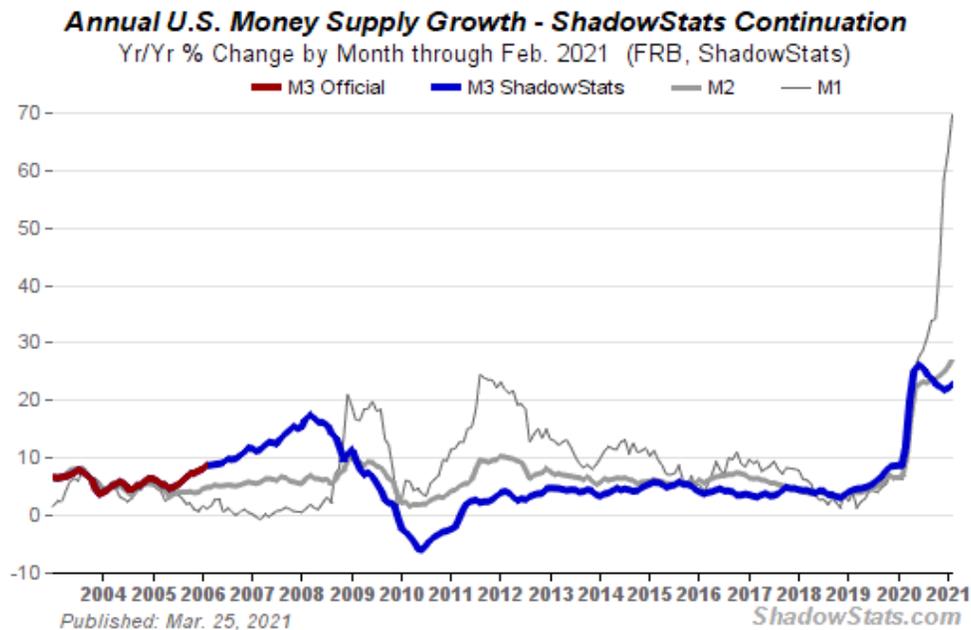
We would agree with this except for the following: American consumers spent about \$14 trillion annually in the year ended 2019. 2020 was a down year as shown by the chart below. American consumers are forecasted to receive \$800 billion in the form of stimulus payments, unemployment benefits and child tax credits through the American Rescue Plan Act of 2021. This is 5.7% of what they spent at the top level. Add this to the jobs coming back. On Good Friday, jobs reported by the Government increased 916,000 for the month. This was above the estimate of 660,000. We believe as the economy continues to open jobs could well surpass 1 million per month. The economy will depend on

this job growth or people getting back to work as we are still 8.4 million jobs short of where we were pre-COVID. These payments are on top of what was already sent out by the government. All these payments are creating a large increase in the money supply.

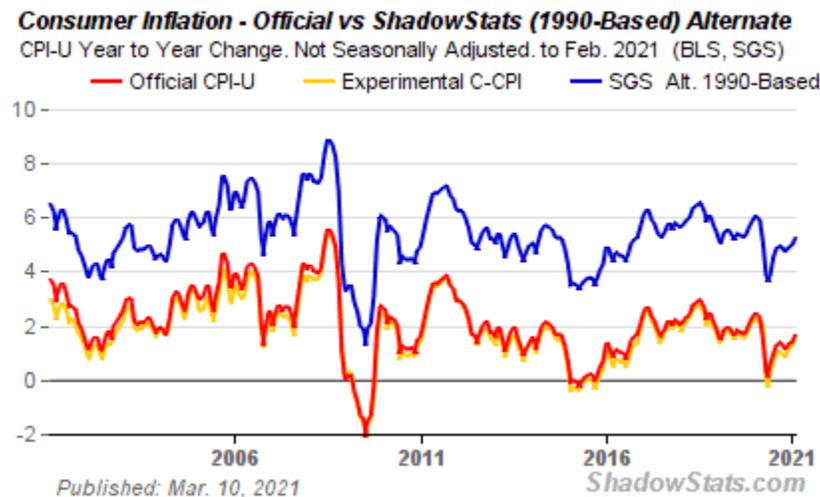


This increase in the money supply may cause some inflation down the road depending on the efficiency of delivering and manufacturing goods and services. The Fed has already stated in their last meeting they do not intend to raise rates for possibly two years leaving borrowing very inexpensive to the banks and ultimately the consumers.

To look at the money supply, let's look at the following chart so that we can see how the money supply is like drinking water from a firehose.



This increase in money supply causes us some concern long-term on inflation. Looking at the chart of inflation comparing how the government reports now vs. how it was calculated in 1990, we may experience inflation once again as more dollars will chase fewer or the same amount of goods produced and purchased.



Normally, we might think this is bad for the market as inflation is a scary word. However, think of it as Coca-Cola selling the same number of cases of Coke, but with more dollars, profits of Coca-Cola will increase and thus should increase the stock price. Those in the market should be rewarded, those who are on the sidelines, will lose purchasing power.

Lastly, the following items are slowly being implemented and we think will be resolved going forward as companies will be hiring more and spending more, which will open the companies for business fully and be able to meet demand.

1. *A defined outcome to the coronavirus – This means we need to see a vaccination or treatment to reduce the devastating effects of the most serious cases. (ALSO, we need to pay attention to any new strains of the virus the vaccines are not able to fight. We are starting to see some variants and these need to be addressed immediately.)*
2. *We need to see employment resume for those who were laid off during this outbreak. This will spur the economy as we have a more reliable source for GDP growth and consumer spending. (Government checks are sporadic and may not come through when needed most.)*
3. *We need to see companies open back up and consumers who are free to move about the country without limitation. Limitations on spending will continue and companies will be reluctant to spend for capital projects if they think another round of government limitations will be set.*

As always, we know the spirit of America is much intact and everyone is focused on a positive outcome for this crisis. There are essentially four or five defining moments in the country during each of our lifetimes and some of us have now seen them all. World War, pandemic, attack on the USA, and financial crisis to name a few. Each of these has made us smarter, more responsive, and better as a society, but not without some pain in the short-term.

Regards,

THE ARCHER TEAM