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2021: The Great Reception (First of a Series)

THE LEAD | February 17, 2021

It was just another painful ramification of the pandemic. We're referring, of course, to the nationwide absence of Grape-Nuts on supermarket shelves. Graver consequences of COVID-19 abound, but the whole point of comfort food is to be there in times of duress.

First produced in 1897 by Mr. C.W. Post, Grape-Nuts contains neither grapes nor nuts. It did accompany Sir Admiral Byrd to Antarctica and Sir Edmund Hillary to Mount Everest. To make amends for the shortage the manufacturer is running a contest. Ten lucky winners will receive a year's free supply of the cereal.

Finding traditional things thought lost came to mind this week as we considered lessons learned in 2020. COVID-19 seemed to inhabit a separate universe than global markets. Though it significantly impacted the economy and capital flows, once central banks flooded liquidity into the system, investors could look beyond the pandemic to a post-vaccine world. And they liked what they saw.

It looks increasingly like 2021 will only improve from an investors' perspective. As one top private credit manager put it, "everyone has decided the coast is clear." That may or may not be true. But for Mr. Market, confidence is nine-tenths of the law.

With risk-off for the foreseeable future, growth opportunities and income-generating assets across the spectrum are being welcomed by buyers of all stripes. Hence we are dubbing the expansion which began in the third quarter of 2020: The Great Reception.

In this special series, we'll examine three questions about the coming year: what's in store for the economy, how will this affect capital markets, and what does this mean for private credit, specifically?

Injections and Projections

Last March experts warned that COVID vaccines could take years to develop, if ever. With three Big Pharma rolling them out nine months later, one would have expected COVID to have folded its tent. But underestimated virus contagion and overestimated vaccine distribution make the first half of 2021 look like the second half of 2020.

That suggests the US economy will bump along for a while. Economists, including Nuveen's own Brian Nick, expect a much-improved year over last. Once vaccines and the $1.9 trillion rescue package take effect, not to mention some political stability, the Great Reception should indeed be a "bright light" at the end of a "dark tunnel."

The Fed seems very relaxed about inflation and interest rates, more concerned about the weak labor market. It's all about confidence. If vaccinations pass the tipping point and more businesses open their doors and start hiring, the economy could catch up with the hot capital markets.

Next week: The Year Ahead in the Capital Markets