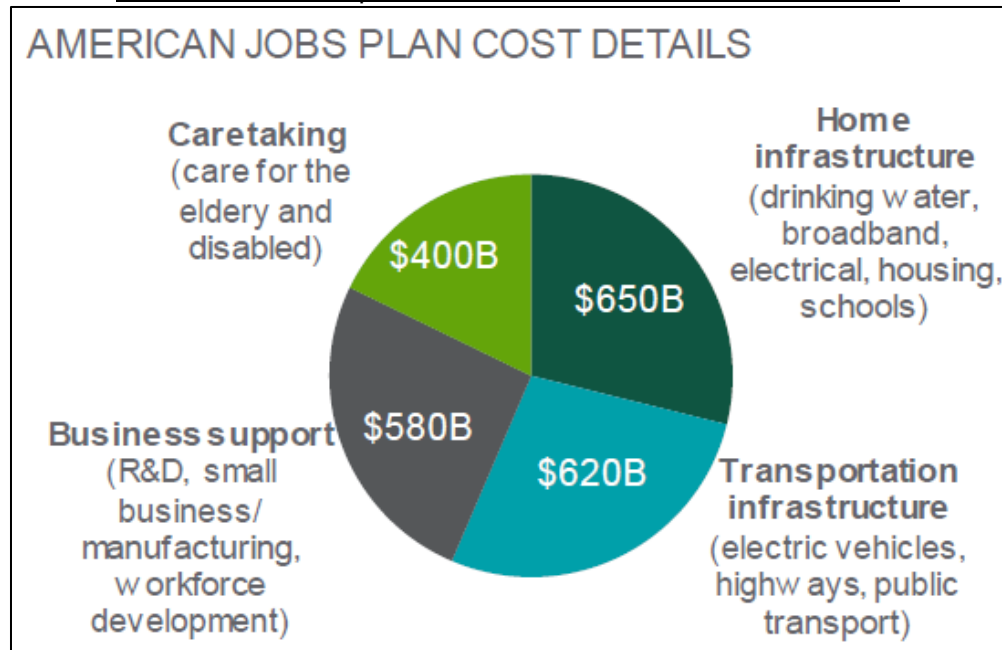


“If Congress is unable to eliminate the most unjustifiable spending – which earmarks usually are – then how could it possibly make tougher choices on politically charged entitlement programs like Medicare and Social Security” – Tom Coburn, Former U.S. Senator in 2006 on Earmark Reform

For the last few years, we’ve heard constantly about the possibility of a “Green New Deal”. The thought process piggy backs off the very real issue of inadequate, and in some areas crumbling, public infrastructure in the U.S. that hasn’t seen notable improvement projects in decades. If the U.S. already needs to update public infrastructure, the thought is the U.S. should build infrastructure necessary to facilitate a transition into more renewable sources of energy too. It does seem more obvious that the world is moving that direction over the long term, and one of the major impediments is the lack of infrastructure to support that transition. It’s still not that easy to find a place to charge your Tesla. Even if you don’t want charging stations, you can’t ignore the state of U.S. bridges, roads, and subways compared to many other developed countries. Whatever your political leanings or infrastructure desires, most people agree that something needs to be done. China built a 57-story skyscraper in 19 days. It took six years for politicians in Flint, Michigan to decontaminate the city’s public drinking water. Not exactly an apples-to-apples comparison, but indicative of the competition we’re up against as a global superpower. One is impressive. The other is depressing. It’s also the type of comparison that both Democrat and Republican lawmakers have made and will continue to make in the coming years. For something that’s always referred to as a “bipartisan area of agreement”, why have successive U.S. presidents failed to do much about it? The consensus take is due to reluctance to raise taxes or add to the federal deficit. The more cynical take is that politicians on both sides want to use a bipartisan issue to enact their ideological agenda, rather than starting with things everyone can agree upon. Hard to take political credit for a solution that everyone agrees upon, but I digress.

Public infrastructure projects are a highly visible undertaking, so it makes sense that politicians want to put their ideological mark on it. More to the point, the size of most infrastructure projects lends them to earmarks (aka “pork barrel spending”). These earmarks don’t usually account for a large portion of the total bill, but they are symbolic and invite opposition. The broad outlook for the \$2.25 trillion American Jobs Plan (see chart, top right) is a very progressive, climate focused infrastructure plan with some things questionably defined as “infrastructure” thrown into the mix and tax increases to pay for it. For every bipartisan line item, like \$115 billion to “modernize bridges, highways, roads, in need of repair”, there are blatantly progressive ones, like \$25 billion for historically black colleges or universities (HBCUs). Nothing against HBCUs at all, but it muddies the water as to what else is considered “infrastructure”. Not to mention, Biden is going to face opposition from both sides for this infrastructure push. Progressives want to spend more, and conservatives are worried about New Deal type debt increases (see chart, bottom right). It seems likely to get pared back a little during negotiations, due to these concerns. To gain the votes needed though, the final bill might include some items that resemble Alaska’s infamous \$230 million “Bridge to Nowhere” (a bridge connecting two small towns, combined population of 9,050) or Boston’s \$15 billion “Big Dig” (a 3.5-mile section of underground highway, \$12 billion over budget). If so, Tom Coburn will be rolling in his grave. – **Alex Jantsch, CFA**

President Biden’s Proposed American Jobs Plan: A Broad Breakdown



When Adjusted for % of GDP, The American Jobs Plan is 3x Smaller Than the New Deal

	New Deal	American Jobs Plan
Cost at the time (\$B)	42	2,250
Cost in 2021 (\$B)	721	
Cost as % of GDP	40% of 1929 output	10.5% of 2020 output
Cost over...	8 years	8 years
Increase in federal debt	30.3% from 1931-1939	?

Sources: *Top* – Northern Trust; *Bottom* – Northern Trust

Market Rates & Returns

All returns are total returns and are annualized past 1-year. All rates are snapshots, as of the date noted. Source: Bloomberg LP

Data As Of: 4/9/2021

Asset Class	Sub-Asset Class	Index	YTD	1-Year	3-Year	5-Year	10-Year	2020
Equity	U.S. Large Cap Equities	S&P 500	10.38%	50.48%	18.67%	17.39%	14.35%	18.39%
Equity	U.S. Mid Cap Equities	S&P 400	16.15%	70.79%	14.75%	15.22%	12.25%	13.65%
Equity	U.S. Small Cap Equities	Russell 2000	13.87%	82.00%	15.48%	16.99%	11.91%	19.93%
Equity	Developed ex. U.S. Equities	MSCI ACWI ex U.S.	5.75%	47.69%	7.59%	11.05%	5.46%	11.23%
Equity	Emerging Markets Equities	MSCI Emerging Mkts	3.33%	53.42%	7.44%	13.08%	3.87%	18.79%
Fixed Income	Broad Aggregate	BB Aggregate	-2.90%	0.37%	4.84%	3.13%	3.52%	7.51%
Fixed Income	U.S. Treasury	BB U.S. Treasury	-3.82%	-4.09%	4.30%	2.24%	2.99%	8.00%
Fixed Income	U.S. Treasury Inflation Prot.	BB U.S. Inflation Linked	-1.78%	4.53%	5.80%	3.99%	3.51%	11.54%
Fixed Income	U.S. Investment Grade	BB U.S. Invest. Grade	-3.91%	6.67%	6.44%	4.95%	5.13%	9.89%
Fixed Income	U.S. High Yield	BB U.S. High Yield	1.57%	20.77%	6.94%	8.07%	6.47%	7.11%
Fixed Income	U.S. Leveraged Loans	CS Leveraged Loan	2.38%	17.22%	4.22%	5.32%	4.40%	2.78%
Fixed Income	U.S. Municipals	BB Municipal Bond	0.11%	6.05%	5.06%	3.46%	4.60%	5.21%
Fixed Income	Non-U.S. Gov't Bond	FTSE Non-U.S. WGBI	-5.58%	6.82%	1.24%	1.81%	1.21%	10.78%
Fixed Income	Emerging Markets Debt	JPMorgan EMBI	-3.85%	13.88%	4.15%	4.93%	5.39%	5.88%
Real Assets	Real Estate	FTSE NAREIT	11.39%	25.80%	10.51%	6.03%	8.99%	-8.00%
Real Assets	Master Limited Partnerships	Alerian MLP	24.22%	85.07%	-2.37%	-0.83%	-0.75%	-28.84%
Real Assets	Broad Commodities	Bloomberg Commodity	7.65%	32.38%	-1.53%	1.17%	-6.96%	-3.50%
Real Assets	Oil	WTI Crude	22.26%	160.63%	-2.20%	8.35%	-6.22%	-20.54%
Real Assets	Gold	Gold COMEX	-8.01%	0.41%	9.27%	7.01%	1.70%	24.42%

Key Market Interest Rates	Current Rate	1 Month Ago	2 Months Ago	3 Months Ago	4 Months Ago	6 Months Ago	1 Year Ago
Federal Funds Rate	0.07%	0.07%	0.07%	0.09%	0.09%	0.09%	0.05%
Secured Overnight Fin. Rate (SOFR)	0.01%	0.02%	0.02%	0.09%	0.08%	0.08%	0.01%
90-Day Treasury Rate	0.01%	0.03%	0.02%	0.07%	0.06%	0.08%	0.18%
2-Year Treasury Rate	0.15%	0.15%	0.11%	0.13%	0.14%	0.15%	0.23%
5-Year Treasury Rate	0.86%	0.79%	0.48%	0.48%	0.39%	0.34%	0.40%
10-Year Treasury Rate	1.66%	1.52%	1.17%	1.12%	0.91%	0.79%	0.72%
30-Year Treasury Rate	2.33%	2.24%	1.95%	1.87%	1.63%	1.59%	1.34%
3-Mon/10-Yr Treasury Spread	1.65%	1.49%	1.15%	1.04%	0.84%	0.70%	0.54%
2-Yr /10-Yr Treasury Spread	1.50%	1.37%	1.06%	0.98%	0.77%	0.63%	0.49%
6-Month CD Rate	0.17%	0.18%	0.21%	0.18%	0.27%	0.30%	0.48%
1-Year CD Rate	0.32%	0.33%	0.36%	0.38%	0.41%	0.44%	0.67%
2-Year CD Rate	0.36%	0.37%	0.40%	0.42%	0.45%	0.47%	0.73%

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