



HAPPY
NEW YEAR

JANUARY 2021 NEWSLETTER

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2021 ECONOMIC PREDICTIONS



If you thought 2020 was an unpredictable year, you probably weren't paying attention. For over a decade, epidemiologists have sounded the warning that a pandemic was coming that would ravage the planet; one so horrible that even the most advanced nations would be ill-prepared for the fallout.

In 2021, economists predict America will face challenges both familiar and unforeseen; however, will also see shoots of rejuvenation as the world thaws from lockdown.

First, in terms of the market, Wall Street and reality will remain out of whack with corporate America continuing to thrive in 2021; unfortunately, good fortune will not be evenly distributed.

Corporate Taxes Stay Low

After November's elections, many stock market prognosticators gleefully greeted the promise of a divided U.S. Congress. That's because the markets tend to perform better when Capitol Hill is gridlocked, as that rules out disruptive policies that threaten to upend business as usual. In 2021, a fifty-fifty split, puts the kibosh on any Biden administration plans to reverse the Trump tax cuts; that should bode well for corporate profits, which are also primed for a major rebound when the pandemic wanes.

2 Million Women Lost to the U.S. labor force

Between the job losses that have disproportionately affected Black and Latina women and the childcare burdens that have fallen much more heavily on mothers than on fathers. Nearly 2.2 million women stopped working or looking for work between February and October of 2020; economists predict it will take years for these women to fully return to the workforce - even then, will experience suppressed wages and lost opportunities.

Colleges Under Threat

Life on campus will look more normal again next fall—sports! dorms! students!—but colleges will be far from free of their financial woes. Up against declining enrollment (and a steep drop in international students), state budget shortfalls, and an economic crisis, small private colleges and second-tier state schools will struggle to survive. Don't expect institutions to save themselves by slashing tuition; they'll try to stay competitive with generous financial aid, but, as always, the average college sticker price will rise.

Student Debt Canceled

Eager to inject an FDR-esque stimulus into the economy as the pandemic rages on, Biden agrees to Senators Chuck Schumer and Elizabeth Warren's resolution to wipe away \$50K of federal debt per borrower. The executive order bypasses Congress and survives multiple legal threats, thanks to broad wording in the Higher Education Act of 1965.

S&P 500 at the end of 2021

Stocks will keep climbing as new vaccines gradually awaken more industries from their pandemic-induced comas. But rising interest rates and slowing growth in Big Tech will keep markets out of stampeding-bull territory.

Goldman Sachs projects GDP will grow at a 5.3% pace in 2021, ahead of the consensus around 4%. The firm cautions that the economy will "get worse before it gets better" due to coronavirus spread. In addition to the big GDP jump, Goldman sees the unemployment rate falling to 5.3%.

Source:

Fortune Staff. (2020). Crystal Ball 2021: Predictions for the economy, politics, technology, and more. Fortune Magazine. [2021: Predictions for next year's economy, politics, technology, and more | Fortune](#)

2021 HOUSING PREDICTIONS



[Realtor.com®'s 2021 housing forecast](#) predicts record-high prices will continue rising in 2021, delivering a blow to first-time buyers and those on a budget. Mortgage interest rates, which hit historic lows this year and helped fuel the go-go growth in U.S. housing markets, are also expected to tick up again, making monthly housing payments ever more expensive.

However, the pace of the wild price growth seen in 2020 will slow. Prices are expected to jump 5.7% next year as a result of more properties forecast to hit the market, particularly in the second half of next year. While still unwelcome news for buyers, the double-digit price hikes seen this year aren't expected to carry over into the new year.

“We expect affordability to become a bigger challenge. It's going to make [housing] more expensive,” says realtor.com Chief Economist Danielle Hale. “[But] home prices will rise slower than this year, on the upper end of what we consider normal price growth.”

The forecast anticipates mortgage rates will begin slowly going up toward the last half of 2021, reaching 3.4% by the end of the year. Mortgage rates are currently at an all-time low of just 2.72% for 30-year fixed-rate loans in the week ending Nov. 25, according to Freddie Mac.

While a roughly 70 basis point rise isn't dramatic, it will make those monthly mortgage payments even pricier.

This has the potential to price out some buyers or force others to purchase cheaper abodes in less desirable locations. However, even higher prices, and therefore higher required down payments, aren't likely to keep the hordes of determined buyers at bay.

Sales of existing homes (i.e., previously lived in abodes) are projected to increase 7% in 2021. That's coming as folks stuck inside their homes for months on end are seeking larger residences or ones with different features. Younger millennials are competing with older members of Generation Z for starter homes, and baby boomers are downsizing. Many apartment dwellers are also seeking homes on their own. Ironically, it's those high prices that are keeping prices from rising even further.

The bright spot for buyers is that more homes are likely to become available in the last six months of 2021. That should give folks more options to choose from and take away some of their urgency. With a larger selection, buyers may not be forced to make a decision in mere hours and will have more time to make up their minds.

The inventory bump is expected to be due to a combination of more sellers listing their properties as well as builders completing more abodes. Realtor.com predicts single-family housing starts, which are homes that have begun construction but aren't yet completed, will rise 9%. And it's sorely needed as there was an estimated shortfall of almost 4 million new homes heading into this year.

The new construction, while often more expensive than existing homes, are likely to appeal to move-up buyers looking for larger abodes with the latest amenities. Once those folks purchase these brand-new abodes, they typically list their existing homes, adding more inventory to the market.

Another wildcard is the possibility of sustained economic pain. The country could still fall into a double-dip recession if unemployment remains high and businesses continue to suffer. Most folks need jobs to afford home purchases. If the economy doesn't improve, it could put a dent in the market.

From All of Us at ASSETCOIN CAPITAL FUND



Quote of the Month

*“Whatever has happened in the past year, the New Year brings fresh beginnings.
Exciting new experiences and relationships await.
Let us be thankful for the blessings of the past and the promise of the future.”*

—Peggy Toney Horton, Author

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