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Market Update
(all values as of 12.31.2020)

Stock Indices:

Dow Jones	30,606
S&P 500	3,756
Nasdaq	12,888

Bond Sector Yields:

2 Yr Treasury	0.13%
10 Yr Treasury	0.93%
10 Yr Municipal	0.69%
High Yield	4.34%

YTD Market Returns:

Dow Jones	7.25%
S&P 500	16.26%
Nasdaq	43.64%
MSCI-EAFE	5.43%
MSCI-Europe	3.14%
MSCI-Pacific	9.26%
MSCI-Emg Mkt	15.84%
US Agg Bond	7.51%
US Corp Bond	9.89%
US Gov't Bond	8.92%

Commodity Prices:

Gold	1,900
Silver	26.52
Oil (WTI)	48.45

Currencies:

Dollar / Euro	1.22
Dollar / Pound	1.35
Yen / Dollar	103.24
Dollar / Canadian	0.78

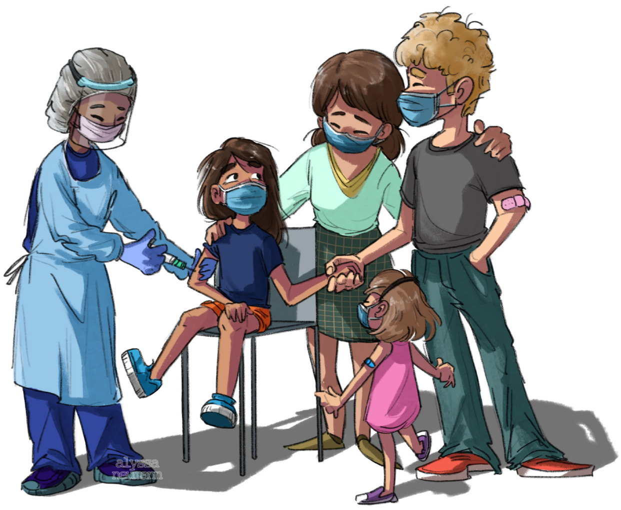
Macro Overview

COVID-19 reshaped markets, trade, retail, and consumer behavior globally in 2020 with lingering effects heading into 2021. Markets shrugged off pandemic concerns throughout the year, with all major equity indices reaching new highs in December. The anticipation of vaccinations along with the hope of a resurgence in consumer demand may eventually elevate economic activity to where it was before the emergence of COVID-19.

Passage of the $900 billion Coronavirus Relief Bill will place checks into the hands of millions of Americans as well as extend unemployment benefits and provide renewed funding for the Paycheck Protection Program (PPP). Other provisions included in the relief bill include deductions for business meals in 2021 & 2022 and a ban on surprise medical billing.

Vaccinations across the United States and internationally are expected to take months as distribution efforts pose a challenge. The CDC estimates that at least 70% to 80% of the 330 million U.S. population needs to be vaccinated in order to achieve herd immunity. Guidelines issued by the CDC suggest that healthcare and essential workers should receive vaccinations first, then offered to the general public. The CDC is delegating the distribution of vaccines as well as the prioritization of inoculations to the individual states.

Optimism surrounding the national vaccination campaign is expected to propel consumer confidence higher, possibly leading to elevated spending levels. Employment and wages, which were hindered for most of 2020, are also critical factors in determining ongoing consumer expenditures.



The onset of inflation is becoming a reality for millions of Americans, as the cost of services and products has gradually been increasing since the pandemic began. Consumer inflation expectations rose in 2020 with the anticipation of lasting inflationary pressures heading into 2021.

The Federal Reserve communicated in December that it would continue to keep the federal funds rate near zero and buy $120 billion worth of bonds monthly until the employment situation improves. Rates held at historic lows in 2020 as ambitious efforts by the central bank facilitated liquidity and borrowing to maintain economic stability.

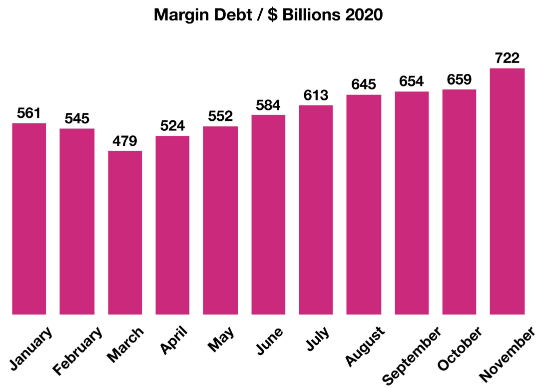
Behavioral consumer changes brought about by the pandemic shifted spending from restaurants, travel and movies to grocery stores and online shopping. Some economists expect the trend to stick even in a post pandemic environment.

Sources: Federal Reserve, CDC, Treasury, Tax Foundation

Markets Remained Resilient In 2020 – Equity Overview

Equity markets rebounded in a historical fashion from the lows in March 2020 to the end of the year, driven by vaccine optimism, low rates, and continued stimulus funding.

Margin loan balances increased during the pandemic, eclipsing $722 billion through November and surpassing the previous high of $668 billion in May 2018, as reported by the Financial Industry Regulatory Authority.



Despite headwinds from the pandemic, global equity markets were resilient for the most part, ending the year with favorable returns. Growth and momentum led with the technology and consumer discretionary sectors elevating the most.

The dramatic COVID-linked selloff in March and the subsequent recovery by August were of historical proportion, with unprecedented recaptures across nearly all sectors of the equity markets in 2020. (Sources: FINRA, Bloomberg)

Rates Held Steady Throughout 2020 – Fixed Income Update

Rates remained near historic lows throughout 2020 as ambitious efforts by the Federal Reserve and the Treasury ensured critical liquidity in the fixed income markets.

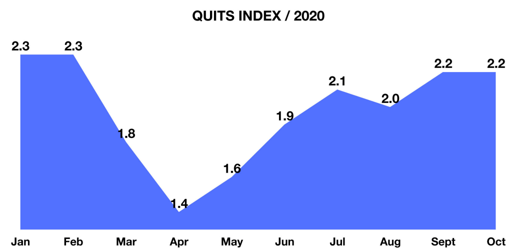
Key rates fell across the board in 2020, as injected liquidity and active monetary and fiscal policy initiatives contributed to a low-rate environment. Mortgage rates fell to new lows in 2020 a dozen times according to Freddie Mac weekly data, triggering a flurry of refinance activity throughout the year.

The U.S. Treasury yield curve steepened towards the end of 2020, an indication to economists that inflation is expected to become more profound. The yield on the 2-year Treasury fell to 0.13% as the yield on the 10-year Treasury rose to 0.93 % in December, pushing short-term yields lower and sending longer term yields higher. Economists and market analysis also view a steepening yield curve as a validation that economic expansion is becoming a more promising possibility. (Sources: Treasury, Freddie Mac, Federal Reserve)

Workers Hesitant To Quit During Pandemic – Worker Confidence

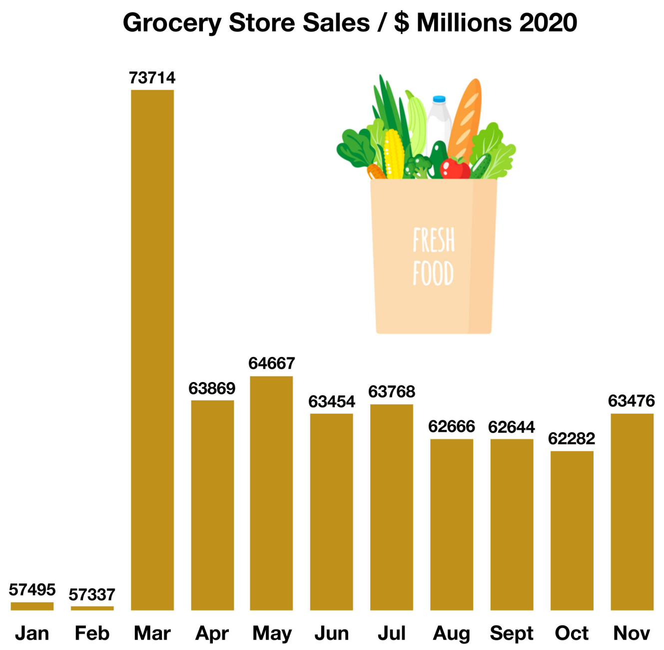
Confidence among workers to freely leave and quit their current job has historically been an indicator of the current condition of the labor market. As COVID-19 took its toll on the economy with layoffs rapidly increasing, remaining workers became less confident in leaving their current jobs in fear that they might not be able to find another position.

The Department of Labor tracks voluntary job exits, also known as quits, which are considered very different from layoffs and work reductions. Less workers quitting also minimizes the chances of wage increases, as employers maintain similar wages for workers not confident enough to quit. (Source: Department of Labor)



Grocery Store Sales Take Off In 2020 – Consumer Behavior

As restrictions surrounding restaurants and dining out set in due to the pandemic, consumers instead headed to grocery stores. Sales at grocery stores surpassed levels never reached over the past ten years. Stores witnessed an immediate surge in customers as news about restaurant closures and dwindling inventories of toilet paper and tissue became major headlines on social media and television.

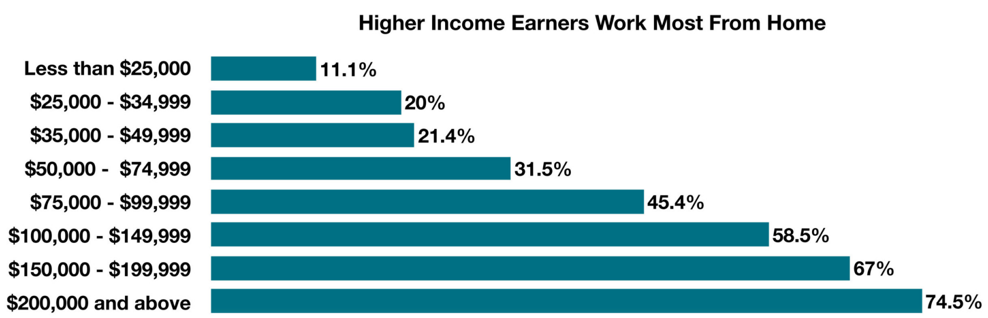


Various products from toilet paper to frozen foods saw incredible increases in sales as the pandemic set in. Not only did demand for such products increase, but so did prices, thus allowing many food related companies to maintain profitability margins.

Many economists expect the shift to grocery stores by consumers a possible lasting effect, literally changing the way consumers feed themselves. (Source: Federal Reserve Bank of St. Louis)

Ability To Work From Home Tied To Income – Labor Market Update

As stay at home mandates came into effect throughout the country, companies scrambled to migrate their management teams and essential employees to home offices. Data tracked by the Labor Department revealed that higher income positions, which include management and technology jobs, were most likely shifted to home offices. Unfortunately, data also revealed that lower paid employees were the ones that did not have the privilege of transitioning to a home base, since most lower income jobs are found in sectors not supporting home based positions.



Analysts expect that many of the companies that transitioned employees home temporarily may eventually decide to make some of the transitions permanent. The shift in workplace dynamics that occurred in 2020 is considered substantial, producing lasting changes for years to come.

Source: Department of Labor

Coronavirus Relief Bill Overview

The Coronavirus Relief Bill extends and modifies several provisions first enacted by the CAREs Act in March 2020. The package extends relief through mid-March of 2021, providing support to individuals and small businesses in order to get through the remaining months of the pandemic. Following are highlights from the relief bill:

Stimulus Payment: A one time direct payment in the amount of $600 for individuals earning up to $75,000, heads of household earning up to $112,500, and couples earning up to $150,000. There is also an additional $600 per eligible child dependent.

Extension of Unemployment Insurance Compensation Benefits: Unemployment benefits will be extended for 11 weeks and expire on March 14, 2021.

Paycheck Protection Program (PPP): renewed funding for small businesses providing forgivable loans to first time and second time small business borrowers. Different from the initial PPP provisions, businesses can deduct expenses paid with forgiven PPP loans as well as a simplified forgiveness application for loans up to $150,000.

Business Meal Deductions: Small businesses can now deduct up to 100% of business meal expenses for 2021 & 2022.

Medical Expenses: A ban on surprise medical billings.

Eviction Moratorium: Extended through January 31, 2021. (Source: Tax Foundation)

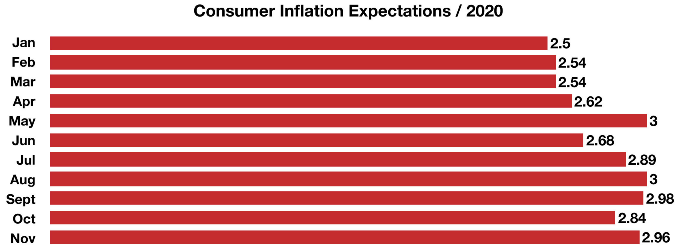
Consumers Expect Inflation To Rise – Inflationary Pressures

Even though traditional government data has current inflation at 1.2%, consumers have a different perspective with higher inflation expectations. The Federal Reserve Bank of New York tracks and maintains consumer inflation expectations every month, separate from traditional inflation data tracked by the Bureau of Labor Statistics.

The median one-year inflation expectation by consumers is 2.96% as of November 2020, nearly 2 1/2 times what the current inflation rate is. Unlike the traditional prices of goods and services translated into an inflation rate, as represented by the Consumer Price Index (CPI), actual consumer expectations are gathered and measured. Many economists view consumer expectations as a more accurate reading on inflation versus the CPI, since it tends to mimic consumer sentiment rather than a basket of stagnant goods and services.

Recent inflation expectations did rise during the pandemic as consumers witnessed first hand price increases with groceries and essential items such as toilet paper and hand sanitizers.

Source: Bureau of Labor Statistics



Market Returns: All data is indicative of total return which includes capital gain/loss and reinvested dividends for noted period. Index data sources; MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations.