

# Money Talks

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## Market Comment

2021 is starting off briskly. At the time of this writing, vaccine deployment efforts are underway, thus, it is likely that a return to some sense of normalcy might happen in the not-too-distant future. Indeed, if you look at how financial markets ended the year, it appears as though investors wasted no time celebrating vaccine developments.

Stocks rallied strongly in November, the day Pfizer announced that its vaccine was over 95% effective, surpassing expectations. Strength was felt most among sectors and industries that had been hurt disproportionately by the pandemic, including travel and leisure stocks, airlines, energy, and financials. Investors coined this the “re-opening” rally, where the laggards all year had a chance to play catch up with technology and stay-at-home companies that had enjoyed the bulk of the large cap indices, such as the *S&P 500*.

At one point in the fall, five of the widely followed companies, known as the “FAANG” stocks in the index, made up over 20% of the index and were responsible for the majority of the *S&P 500*'s gains. While these companies, such as *Apple*, *Amazon*, and *Netflix*, have benefited from social distancing measures, the stocks' strong run suggests that a lot of their future growth may have been priced in; a sign that investors could be crowding into these names.

Now, the landscape looks a bit different. With more visibility on vaccine developments, the presidential election behind us, and a second stimulus bill, investors are beginning to breathe a much needed sigh of relief. In addition, participation in the market's advance is more broad based with more sectors participating, asset classes such as small caps experiencing solid investor interest, and international stocks seeing buying and getting a boost from a weak dollar. When the dollar weakens, domestic investors benefit since their international returns increase when returns are converted to our local currency.

Not surprisingly, after all was said and done, 2020 ended quite strongly. The *S&P 500* added 12.1% in the fourth quarter and ended the year up 18.4%. Small caps in the *Russell 2000 Index* staged an impressive rally in the second half of the year and ended with a 19.9% gain, outpacing their large cap brethren. International stocks, as measured by the *MSCI EAFE Index*, added 7.8%, whereas emerging markets as measured by the same index outshone them with a return of 18.3% for the year. Our preferred global benchmark, the *MSCI ACWI Index*, which holds domestic, international, and developing market stocks, ended the year with a 16.2% gain.

In addition, the precious metal gold, a typical safe-haven, gained over 24% in the year. Bonds also did well, with the *Barclays US Aggregate Index* enjoying a 7.5% gain for the year. Investors sought safety in these asset classes during the spring and, while their gains moderated as the year progressed, they managed to deliver solid returns for the year.

Considering the challenges faced in the spring, the financial markets impressive turnaround is no small feat. If there were awards for those who had a part in helping the market recover following the pandemic induced sell-off, we'd give our domestic central bank the top accolade. Led by Fed Chief Jay Powell, the Fed acted swiftly and decisively, sending a strong message to market participants that they would support both financial and credit markets by lowering interest rates and introducing several lending programs. Honorable mention would go to Congress for coming together to deliver the largest ever stimulus package which allowed businesses and consumers to get through the most difficult months of the pandemic.

*After the incredible and historic journey of 2020, what should we expect for the year ahead?* It is difficult to say since the economy is slowly healing and much work remains to be done. In addition, the disruptions from social distancing efforts continue and may stay with us for some time. However, the path forward begins with taking a few steps. With increased partici-

pation and leadership in the last quarter from economically sensitive sectors such as financials, investors are beginning to anticipate an economic recovery in the months ahead. Financial markets tend to lead the economy, so it is possible that investors see things turning up, especially when the vaccine is more widely distributed.

Many uncertainties remain, from both a health and a financial perspective. Nevertheless, we are hopeful that we will overcome the challenges that lay ahead. Encouraging news on global efforts to roll out the vaccine, increased support to help mitigate the pandemic's financial toll, and a renewed sense of determination to put the past year behind us and move forward, all suggest that the healing process may be commencing. That is why we believe that if 2020 was a year of transformation, 2021 may well be the year of transition.

## Planning Tips

Here are some *Financial Planning Reminders* to assist you in the year ahead:

1. Consider increasing retirement plan contributions 1% to coincide with a raise. The total paycheck will still increase and more will be put aside automatically.
2. Shop all your insurance policies. Often times, being a year older puts you into a demographic insurance companies are targeting, which may lower your premiums. The more policies bundled together with one insurer, the lower the total rate usually is.
3. If eligible, consider making Roth IRA contributions early in 2021 or set up automatic deposits to fund the Roth IRA. This will help maximize the time invested assets spend in a tax deferred account, and

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*Investments in stocks and bonds are subject to investment risk, including market and interest rate fluctuations. Global/International investing involves additional risks not typically associated with U.S. investing, including currency fluctuations, political instability, uncertain economic conditions and different accounting standards.*

## **STOCKS FOR DIFFERENT OBJECTIVES**

### INCOME STOCKS

	<u>1/8/20 Closing Price</u>	<u>Yield</u>	<u>Est EPS Next Year</u>
<b>SPDR Wells Fargo Pfd Fd</b> (PSK) <i>Preferred securities ETF</i>	43.30	5.21	N/A
<b>AT&amp;T</b> (T) <i>Worldwide telecom &amp; media company</i>	29.02	7.17	3.21
<b>Vanguard Real Estate Fund</b> (VNQ) <i>Real Estate REIT ETF</i>	83.07	4.01	N/A
<b>Verizon</b> (VZ) <i>Leading wireless telecom provider</i>	57.80	4.34	5.02
<b>Pfizer</b> (PFE) <i>Global biopharmaceutical company</i>	37.13	4.09	3.28

### GROWTH STOCKS

	<u>1/8/20 Closing Price</u>	<u>Est P/E</u>	<u>Est EPS Next Year</u>
<b>The Walt Disney Co.</b> (DIS) <i>Media networks and resort destinations</i>	178.69	87.3	2.05
<b>Becton Dickinson</b> (BDX) <i>Leading medical equipment company</i>	255.06	20.4	12.50
<b>ABB Ltd.</b> (ABB) <i>Industrial equipment and systems</i>	30.26	25.4	1.19
<b>Apple, Inc.</b> (AAPL) <i>Multinational technology company</i>	132.05	32.8	4.03
<b>Comcast</b> (CMCSA) <i>Global telecommunications conglomerate</i>	51.24	17.4	2.96

### GROWTH AND INCOME STOCKS

	<u>1/8/20 Closing Price</u>	<u>Yield</u>	<u>Est EPS Next Year</u>
<b>JPMorgan Chase &amp; Co.</b> (JPM) <i>Global financial services firm</i>	136.02	2.65	9.72
<b>Procter &amp; Gamble</b> (PG) <i>Worldwide mfr of consumer goods</i>	138.79	2.28	5.57
<b>Kimberly Clark</b> (KMB) <i>Global health and hygiene products</i>	131.76	3.25	7.86
<b>Johnson and Johnson</b> (JNJ) <i>Manufacturer healthcare products</i>	160.04	2.52	8.89
<b>Walmart</b> (WMT) <i>Retail giant</i>	146.63	1.47	5.55

### AGGRESSIVE GROWTH STOCKS

	<u>1/8/20 Closing Price</u>	<u>Est P/E</u>	<u>Est EPS Next Year</u>
<b>Salesforce.com</b> (CRM) <i>Enterprise software for client relationship mgmt</i>	222.04	79.1	2.81
<b>PayPal</b> (PYPL) <i>Worldwide on-line payment system</i>	242.46	69.7	3.48
<b>SS &amp; C Technologies</b> (SSNC) <i>Software services to financial service providers</i>	71.85	17.0	4.22
<b>Alphabet Inc.</b> (GOOGL) <i>Internet search engine, cloud computing, delivery svcs</i>	1,797.83	28.8	62.40
<b>Check Point Software</b> (CHKP) <i>Internet security solution provider</i>	131.96	21.4	6.17

increases the funds that can be withdrawn tax-free later. It is worth noting that you have until your tax deadline this year to make IRA contributions for the previous year.

4. When filing your taxes, speak with your accountant about ways to optimize your specific tax situation. If you regularly receive refunds, consider decreasing withholding to increase regular paychecks.

5. If you haven't already, set up credit cards to be automatically paid off for at least minimum balance on the due date. Credit cards should be paid on time and in full each month, but human error exists, and automating the minimum payment may prevent a mark on a credit report for a missed payment.

6. Review annual subscriptions for any that are no longer used. For those that are used regularly, can that fee be decreased with a phone call to the company's customer service? A 10-minute call could reduce monthly cash outflows by \$10-\$25 indefinitely.

As always, your financial professionals are here for you to help navigate the best path to your success and any road bumps that occur along the way. We are committed to simplifying the process of reaching your long-term wealth management goals.

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