

Money Talks

120 King Street, Northampton, MA 01060
413/584-9121 800/332-9558 Fax:413/585-5748

DECEMBER 2020

81 Samoset Street, Plymouth, MA 02360
508/746-7526 800/242-0263 Fax:508/746-1191

Market Comment

Although the election outcome is not yet official, investors appear to be looking ahead to a scenario that has historically been beneficial for financial markets. The market has experienced solid returns when there has been a Democratic president with a split Congress, although there have been few instances when this has happened.

For now, the Senate is set to go to a run off in January with two seats at stake. Nobody knows how things will turn out, but political strategists suggest that the Senate will probably stay in Republican hands.

Investors prefer a split Congress since it usually portends political gridlock. It is rare that government policies appeal to all market participants, thus when government intervention can be kept at bay, the investment community can typically expect few surprises.

Market participants seem to be pricing in this scenario with popular large cap indices such as the *S&P 500* staging an impressive post-election rally.

In addition to well-received news on the election front, global equity markets rose following positive developments on a vaccine from Pfizer, a globally recognized pharmaceutical company, with industries hardest hit by the pandemic soaring on the news. The initial results show a high efficacy rate a week after the second dose of the vaccine was taken. While the clinical trial is still in progress, the drug will be submitted for emergency use in late

November.

Understandably, investors welcomed the news. At the time of this writing, there has been a rise in COVID cases in the U.S. and other regions, most notably in Europe where they are also experiencing both a rise in cases and fatalities.

The resurgence has led to localized restrictions domestically and globally, but in some areas abroad, the lockdowns have been more comprehensive and far-reaching. As a result, the near-term global economic outlook appears cloudy and recent economic indicators have exhibited mixed signals. For example, global manufacturing is experiencing solid demand, especially in regions that are predominantly export-oriented, such as emerging markets.

However, service industries worldwide are not faring as well; not surprising due to the increase in restrictions. In the U.S., indicators that track mobility suggest that consumers are taking precautions, with mobility data showing a pause in growth. In Europe, consumer activity has contracted, which is having an impact on their economic outlook since some regions rely heavily on travel and tourism.

So far, market participants have chosen to focus on vaccine developments rather than the resurgence of the virus. Nevertheless, the situation remains fluid, and how the global economy manages the pandemic, especially during the winter season, remains a concern.

Turning to corporate earnings, companies managed to beat analysts' expectations in the third quarter, with

over 80% delivering upside surprises. In addition, a majority of the companies that gave forward guidance provided positive outlooks. At present, analysts have raised their estimates for the fourth quarter, which is also a good sign.

Also on a positive note, housing continues to do well, buoyed by historically low interest rates. With the Fed committed to keeping rates low for an extended period of time, the boost from housing should benefit growth in the domestic economy.

Indeed, the economy could use all the help it can get since the odds of passing a large stimulus bill are lower as Congress is likely to be divided. Both parties have renewed their commitment to pass some relief, albeit less than most investors had hoped for.

So now that the election is over, how should investors position themselves for next year? The good news is that there appears to be a light at the end of the tunnel.

With positive news from vaccine developments, more clarity on the political front, and global monetary stimulus, it is possible that domestic and internationally based cyclical companies that have struggled during the pandemic may finally have their day in the sun. These companies' good fortunes rely on consumer and corporate activity. In essence, they depend on a society where people interact, socialize, and learn from one another. Yes, even

(Continued on page 2)

Year-to-date through 11/11/20: DJIA 29,397.63 +3.0% — S&P 500 3,572.66 +10.6% — NASDAQ 11,786.43 +31.4%

STOCKS FOR DIFFERENT OBJECTIVES

INCOME STOCKS

	<u>11/11/20 Closing Price</u>	<u>Yield</u>	<u>Est EPS Next Year</u>
SPDR Wells Fargo Pfd Fd (PSK) <i>Preferred securities ETF</i>	43.71	5.11	N/A
AT&T (T) <i>Worldwide telecom & media company</i>	28.73	7.24	3.18
Vanguard Real Estate Fund (VNQ) <i>Real Estate REIT ETF</i>	84.26	3.51	N/A
Verizon (VZ) <i>Leading wireless telecom provider</i>	61.00	4.11	4.85
Pfizer (PFE) <i>Global biopharmaceutical company</i>	38.50	3.95	2.88

GROWTH STOCKS

	<u>11/11/20 Closing Price</u>	<u>Est P/E</u>	<u>Est EPS Next Year</u>
The Walt Disney Co. (DIS) <i>Media networks and resort destinations</i>	137.82	46.7	2.95
Becton Dickinson (BDX) <i>Leading medical equipment company</i>	243.16	19.5	12.50
ABB Ltd. (ABB) <i>Industrial equipment and systems</i>	27.03	33.2	0.81
Apple, Inc. (AAPL) <i>Multinational technology company</i>	119.49	29.8	4.01
Comcast (CMCSA) <i>Global telecommunications conglomerate</i>	47.67	18.9	2.52

GROWTH AND INCOME STOCKS

	<u>11/11/20 Closing Price</u>	<u>Yield</u>	<u>Est EPS Next Year</u>
JPMorgan Chase & Co. (JPM) <i>Global financial services firm</i>	114.78	3.14	7.47
Procter & Gamble (PG) <i>Worldwide mfr of consumer goods</i>	142.07	2.23	5.55
Kimberly Clark (KMB) <i>Global health and hygiene products</i>	137.78	3.11	7.65
Johnson and Johnson (JNJ) <i>Manufacturer healthcare products</i>	147.80	2.73	7.99
Walmart (WMT) <i>Retail giant</i>	147.98	1.46	5.35

AGGRESSIVE GROWTH STOCKS

	<u>11/11/20 Closing Price</u>	<u>Est P/E</u>	<u>Est EPS Next Year</u>
Salesforce.com (CRM) <i>Enterprise software for client relationship mgmt</i>	254.18	133.3	1.91
PayPal (PYPL) <i>Worldwide on-line payment system</i>	192.34	68.9	2.79
SS & C Technologies (SSNC) <i>Software services to financial service providers</i>	64.74	16.2	3.99
Alphabet Inc. (GOOGL) <i>Internet search engine, cloud computing, delivery svcs</i>	1,747.23	34.3	50.97
Check Point Software (CHKP) <i>Internet security solution provider</i>	118.00	19.5	6.04

businesses need to be in community. The return to some sense of normalcy means a brighter outlook for economic growth. While there is still much work to be done, the horizon appears much brighter than it has in a long time.

During these difficult times, we remain steadfast in our commitment to serve you and will continue to do our best to accomplish your wealth management goals with your best interests in mind.

Our objective is to present a variety of companies in a diverse group of industries. There are investment risks associated with acting on information in this newsletter and Gage-Wiley & Co., Inc. strongly suggests contacting your personal representative prior to investing in any instrument. Past results are no guarantee of future performance. The material has been prepared or is distributed solely for information purposes and is not a recommendation or an offer to buy any security or instrument or to participate in any trading strategy. The firm and/or its affiliates, officers, directors, or employees may maintain positions in, and/or options, rights or warrants on, the securities mentioned herein.

The content expressed in this report is that of the author(s) and is not necessarily that of Gage-Wiley & Co., Inc. or its affiliates. Various Gage-Wiley & Co., Inc. representatives contribute to our newsletter including our research analyst on staff. Our research analyst's views expressed in the newsletter accurately reflect the research analyst's personal views about the subject securities. No part of the analyst's compensation is directly related to these specific views contained in the newsletter. Available investment information supporting any individual issue in the newsletter will be furnished upon request.

Market statistics, prices, yields and estimates are provided by Zacks Investment Research, Inc. Gage Wiley is a d/b/a of St. Germain Securities, Inc. St. Germain Securities, Inc., Member FINRA/SIPC.