

Money Talks

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Market Comment

Try as we may, 2020 is not a year that will fade from our memory anytime soon. We faced a global health pandemic that tragically brought illness and death to many, social isolation and financial challenges to most, and a new reality for us all throughout the world. Here in the US, we witnessed heightened social unrest, intensifying political polarization, and an unusually contentious presidential election. Not surprisingly, the markets endured a roller-coaster ride that followed the economic fallout as the waves of the virus unfolded and the challenging social and political events made headline news.

Harry S. Truman once said, "It's a recession when you neighbor loses his job; it's a depression when you lose yours." This past year has truly embodied President Truman's words, as the global pandemic has been anything but equal on in its impact on the health of those who contract the disease, and its hold on the US and global economies. The bifurcation of the stock market has been one such symptom of the unequal force of the pandemic this past year, sending some sectors of the markets such as energy to deep and more sustained lows, and others, such as technology, to increased heights.

On a positive note, as this goes to press in mid-December, we are beginning to see broader positive market participation with 92% of the S&P 500 stocks trading at prices above their 200 day moving average. Though this statistic represents a single point in time and only reflects the US equity markets, it is likely representative of the broader optimism around the COVID-

19 vaccines, the elevated certainty on the political front, and the continued support from our central banks to keep interest rates low and money flowing, encouraging growth in the economy.

One may be surprised to hear that at the time of this writing, we are pushing new highs in the broader US equity markets, with the S&P 500 up over 45% off the dramatic lows it fell to early in the pandemic. Fueling the continued rally are hopes for a fifth round of stimulus from Congress, coupled with the much needed news that Pfizer's vaccine has been approved by the FDA and is now being administered. The widespread distribution of the vaccine will certainly face its challenges, namely supply chain pressures and broad adoption, but the light at the end of the tunnel is visible and the markets are responding.

Turning our sights to 2021, there are more reasons to be cautiously optimistic beyond the vaccine. The bipartisan group of lawmakers working on a nearly one trillion dollar fiscal bill could provide more needed relief in early 2021. At this point the details of the bill, supported by President-elect Joe Biden, are yet to be finalized. It is expected to include increased payments to those who are unemployed, additional small business aid and funds to assist in vaccine distribution.

Though consumer spending has held its own through online pandemic shopping, there also remains significant pent up demand that will fuel additional market growth. Hopefully many a small business, especially restaurants and personal services, will find themselves open and thriving during the coming year.

US inflation targets for 2021 are expected to remain below 2%, as measured by the Consumer Price Index. The CPI helps identify the general costs of goods and services, and their estimate is in line with our central banks goal of maintaining an average rate of inflation of 2%, which should provide a tailwind through 2021.

Central banks, both here and abroad, have been committed to keeping interest rates at all-time lows, helping to ease the stress on markets during the pandemic. This accommodative policy should help support economic growth and maximize employment once we return to a more normalized economic environment. Unemployment has come down significantly since its 14.9% spike in April, to 6.9% at the end of this past October.

One area of the market that we remain watchful of is valuations, or how expensive stocks may be relative to their respective earnings. Currently, we are seeing elevated levels relative to historical ranges, and this is viewed as a potential headwind for investors. With S&P 500 corporate earnings forecasts currently expected to jump by over 20% next year, the big question for 2021 is whether or not that optimistic scenario will come to fruition. Only time will tell, but for now at least, the market is acting as though it will.

Globally, the US and China are leading the growth as China's manufacturing and exports have recovered from pre-pandemic levels, while the Eurozone economies have been struggling with a recent resurgence in COVID-19 levels. Post-Brexit challenges could dampen the post pandemic recovery across the pond if Britain does indeed

(Continued on page 2)

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Year-to-date through 12/10/20: DJIA 30,068.81 +5.4% — S&P 500 3,672.82 +13.7% — NASDAQ 12,338.95 +37.5%

STOCKS FOR DIFFERENT OBJECTIVES

INCOME STOCKS

	12/10/20 Closing Price	Yield (%)	Est EPS Next Year
SPDR Wells Fargo Pfd Fd (PSK) <i>Preferred securities ETF</i>	44.49	5.06	N/A
AT&T (T) <i>Worldwide telecom & media company</i>	31.46	6.61	3.17
Vanguard Real Estate Fund (VNQ) <i>Real Estate REIT ETF</i>	84.84	3.48	N/A
Verizon (VZ) <i>Leading wireless telecom provider</i>	61.46	4.08	4.85
Pfizer (PFE) <i>Global biopharmaceutical company</i>	41.85	3.63	2.88

GROWTH STOCKS

	12/10/20 Closing Price	Est P/E	Est EPS Next Year
The Walt Disney Co. (DIS) <i>Media networks and resort destinations</i>	154.43	63.9	2.42
Becton Dickinson (BDX) <i>Leading medical equipment company</i>	239.96	19.2	12.50
ABB Ltd. (ABB) <i>Industrial equipment and systems</i>	26.93	33.4	0.81
Apple, Inc. (AAPL) <i>Multinational technology company</i>	121.78	30.3	4.01
Comcast (CMCSA) <i>Global telecommunications conglomerate</i>	51.26	20.3	2.53

GROWTH AND INCOME STOCKS

	12/10/20 Closing Price	Yield	Est EPS Next Year
JPMorgan Chase & Co. (JPM) <i>Global financial services firm</i>	121.05	2.97	7.48
Procter & Gamble (PG) <i>Worldwide mfr of consumer goods</i>	136.41	2.32	5.55
Kimberly Clark (KMB) <i>Global health and hygiene products</i>	135.76	3.15	7.65
Johnson and Johnson (JNJ) <i>Manufacturer healthcare products</i>	153.10	2.64	7.99
Walmart (WMT) <i>Retail giant</i>	148.27	1.46	5.55

AGGRESSIVE GROWTH STOCKS

	12/10/20 Closing Price	Est P/E	Est EPS Next Year
Salesforce.com (CRM) <i>Enterprise software for client relationship mgmt</i>	220.57	78.9	2.80
PayPal (PYPL) <i>Worldwide on-line payment system</i>	210.80	75.5	2.79
SS & C Technologies (SSNC) <i>Software services to financial service providers</i>	72.34	18.1	3.99
Alphabet Inc. (GOOGL) <i>Internet search engine, cloud computing, delivery svcs</i>	1,777.86	34.5	51.54
Check Point Software (CHKP) <i>Internet security solution provider</i>	120.86	20.0	6.04

leave the EU without a negotiated deal, which is looking very likely as we approach the deadline. But overall, gross domestic product (GDP) is estimated to rise both in the US and globally in 2021, largely contingent upon the successful distribution of the vaccine.

As the US turns to a new year, we face an administration change as well. Experience will reign as President-elect Biden has chosen some seasoned veterans to lead his team, including former Fed Chair Janet Yellen, who will likely see easy confirmation as Secretary of the Treasury. The upcoming senate elections in Georgia will be indicative of whether we will likely continue to see partisan stalemates or some degree of bipartisan cooperation – time will tell.

It has been a rough and tumble year for all, and though we can see the light ahead, we are not out of the woods yet. From an investment standpoint, staying true and committed to your long term strategy and goals will put you in good stead over the long term. Stay safe and healthy and take care of each other. And know that we are here to help take care of your financial concerns. As always, please don't hesitate to reach out to your financial advisor.

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