Cornerstone Wealth Partners
336.283.2890 | www.cswealthpartners.com
Country Club Commons
4622 Country Club Road, Suite 200
Winston-Salem, North Carolina 27104

February 2021

Market Update
(all values as of 01.29.2021)

Stock Indices:

Dow Jones	29,982
S&P 500	3,714
Nasdaq	13,070

Bond Sector Yields:

2 Yr Treasury	0.11%
10 Yr Treasury	1.11%
10 Yr Municipal	0.70%
High Yield	4.31%

YTD Market Returns:

Dow Jones	-2.04%
S&P 500	-1.11%
Nasdaq	1.42%
MSCI-EAFE	-1.09%
MSCI-Europe	-1.49%
MSCI-Pacific	-0.47%
MSCI-Emg Mkt	2.97%
US Agg Bond	-0.71%
US Corp Bond	-1.28%
US Gov't Bond	-1.04%

Commodity Prices:

Gold	1,849
Silver	27.06
Oil (WTI)	52.14

Currencies:

Dollar / Euro	1.21
Dollar / Pound	1.36
Yen / Dollar	104.29
Dollar / Canadian	0.77

Macro Overview

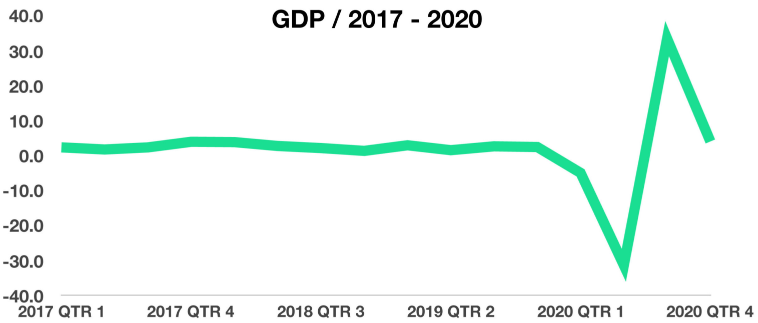
Speculative trading among smaller retail investors raised concerns about how social media is influencing individual stock valuations. Recently popularized social news aggregation and discussion websites are driving frenzied trading behavior among inexperienced young traders while disrupting traditional stock valuation methods. Many are calling for heightened regulation and scrutiny surrounding these websites and how they operate.

Vaccination progress is being closely monitored by market analysts and economists because of the tremendous impact it has had on consumer sentiment. Consumer expenditures have been hindered by stay at home mandates and fear of infections in public locations such as retail stores and restaurants.

The pandemic has accelerated the global wealth gap between the wealthy and poor. The Rockefeller Foundation, a private foundation, tracked roughly 2,200 billionaires worldwide that saw their net worth grow by $2 trillion in 2020, while 435 million low income families globally lost jobs, homes and asset values.

The IRS won't be accepting 2020 tax returns until Feb 12 due to staffing shortages and COVID related rules that were enacted in December 2020. Acceptance of prior year returns traditionally would have started two weeks sooner. Taxpayers due a refund may see a delay in receiving funds, yet the April 15 tax deadline will remain the same.

Economic growth for the U.S., as measured by Gross Domestic Product (GDP), rose at a 4% rate in 2020, following a contraction of over 31% in the second quarter alone. The dramatic collapse and ensuing rebound for economic growth was of historical proportion.



Since COVID vaccine distributions began on December 14, 2020, more than 29.5 million doses have already been administered in the United States as of January 30, 2021. Total doses distributed but not yet administered are nearly 50 million as of the end of January. The federal government has delegated prioritizing and distribution of the doses to the individual states. Health care experts and economists are concerned that the sluggish pace of vaccinations worldwide will postpone any economic resurgence.

Data gathered by the U.S. Census Bureau as of January 22, 2021, reveal that millions of Americans are not spending their stimulus checks, but are instead saving the funds or paying off debt. With over 37.5 million people opting to save their stimulus payments, some believe that millions receiving stimulus checks may not actually need them.

Sources: Census Bureau, Rockefeller Foundation, CDC, Federal Reserve, IRS

37.7 MILLION OPTING TO SAVE RATHER THAN TO SPEND THEIR STIMULUS CHECKS

Volatility Returns To Markets – Domestic Equity Update

Equity indices were nearly unchanged in January following volatility that drove prices higher and lower throughout the month. Market performance for prior Januarys have historically been acknowledged as an indicator of where markets might head for the year.

Speculative trading among smaller retail investors raised concerns about how social media is influencing individual stock valuations. As a result, volatility spiked in late January. Leading sectors for the month were energy, heath care, and consumer discretionary, while materials and industrials lagged. (Sources: Bloomberg, Reuters)

Rates Rise With New Year – Fixed Income Overview

The yield on the 10-year Treasury bond breached 1.0% for the first time since before the pandemic began. The rise above 1% is a psychological level for traders and market analysts. The 10-year Treasury is considered a benchmark for numerous lenders and consumer finance rates.

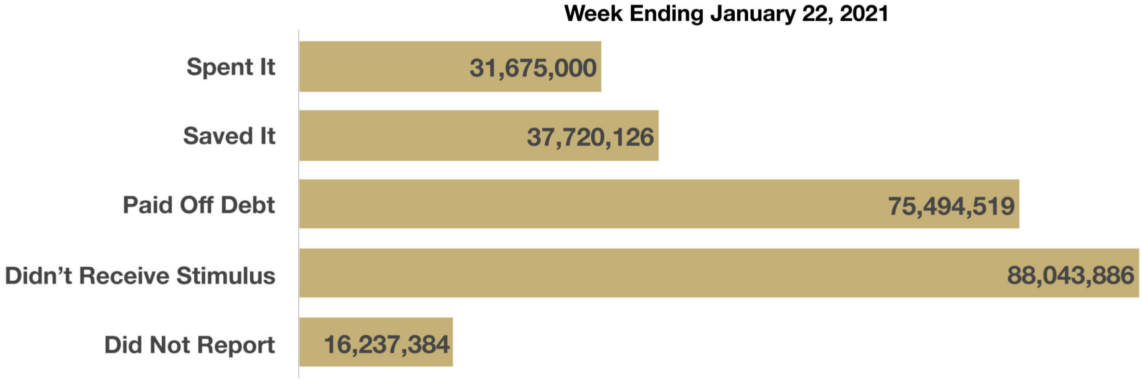
The Federal Reserve is expected to hold rates steady for the better portion of this year, yet may start to pull back on its bond buying program and tighten Fed policy initiatives should the economy begin to strengthen over the next few months. (Sources: Federal Reserve, U.S. Treasury)

What People Are Doing With Their Stimulus Payments – Consumer Behavior

Surveys done each week by the U.S. Census Bureau are detailing what Americans are doing with their stimulus payments. Data gathered from various stimulus recipients among all income levels and educational backgrounds, reveal that a large portion receiving payments are using their funds to pay off debt. The most recent data as of the week ending January 22, 2021, show that nearly 75.5 million people of the 249 million that were surveyed, used the funds to pay off debt.

In addition to paying off debt, recipients also saved their payments, with over 37.7 million opting to save rather than to spend their stimulus checks. Because of these statistics, many believe that millions of Americans receiving stimulus payments may not actually need it.

What People Did With Their Stimulus Payments / Number Of People
Week Ending January 22, 2021



For those that actually need the funds, about 85% of those surveyed are spending it on household expenses, such as groceries, clothing, and appliances. (Source: U.S. Census Bureau)

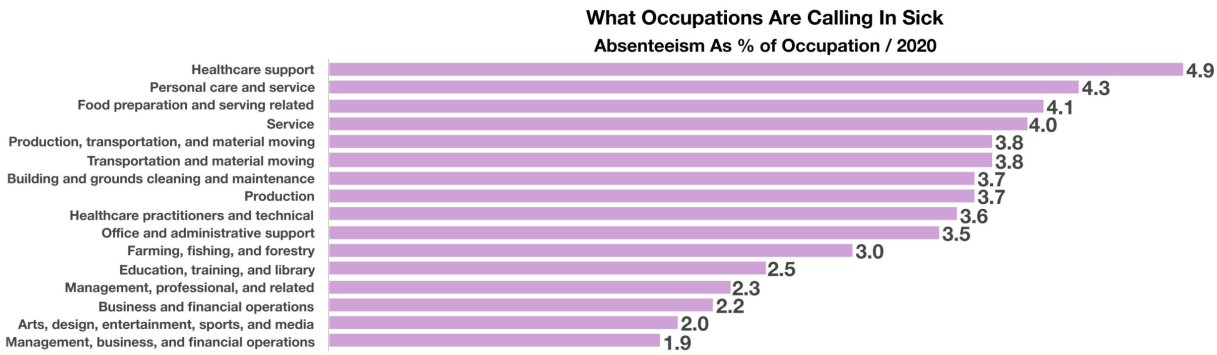
CORNERSTONE
WEALTH PARTNERS

NEARLY 1.8 MILLION WORKERS WERE ABSENT FROM WORK IN NOVEMBER 2020

Which Workers Are Calling In Sick – Labor Market Overview

A growing number of U.S. workers are calling in sick to work as the fear of COVID infections has escalated for the past few weeks. The number of days that workers have missed due to illness and calling in sick has doubled since the pandemic began according to the Census Bureau. The rate of absenteeism, as termed by economists, has remained relatively high since March of last year. Nearly 1.8 million workers were absent from work in November 2020 due to illness, nearly as many as the 2 million that had called in sick in April 2020.

Economists and marketing analysts expect the lingering sick calls to hinder retail sales and consumer spending, thus sapping economic growth. Shortages are also a concern as absent workers are not available to stock inventory and transport goods across the country.



In the most recent Household Pulse Survey, it is estimated that more than 11 million workers were absent from the job place due to the coronavirus. Many were absent because of the fear of contracting the virus, while others were absent due to hardships at home such as caring for children and elders. The effects of missing workers has been especially felt in the manufacturing Industry, which currently has over 500,000 job openings throughout the country, the most since 2000. Health care and personal care workers carry among the highest absenteeism of occupations, with roughly 4.5% of those sector workers calling in sick during 2020.

Sources: Census Bureau, Labor Department, Household Pulse Survey

IRS Sets Later Date To Accept Returns – Tax Planning

The IRS announced that it will not start accepting individual tax returns for tax year 2020 until February 12. A law passed by Congress in December designed to mitigate fraud hindered the ability for the IRS to start accepting tax returns earlier in the year. As a result many taxpayers may have to wait an extra month or two before receiving tax refunds due.

The delays are also a result of changes that occurred in 2020 as the pandemic took hold. Millions of individuals who didn't get stimulus payments from the government may be able to claim those funds through their 2020 tax returns. Also affected will be individuals that had children during 2020 and not noted on 2019 tax returns. The IRS suggests that individuals file electronically in order to receive any refunds due more quickly.

Source: IRS

CORNERSTONE WEALTH PARTNERS

SS COLA 2021 INCREASE OF 1.3% IS LESS THAN MEDICARE PART B INCREASE OF 6%

COLA Not Keeping Up With Medicare Premium Increases – Retirement Planning

Even before the onset of the COVID-19 pandemic, seniors were foregoing retirement until later as well as taking part-time jobs even after retiring. Living longer for millions of Americans has translated into a financial challenge resulting in dealing with the threat of dwindling assets during an extensive retirement.

The single greatest menace to retirees has historically been inflation. Over the past year, inflation expectations by consumers place inflation at nearly a 3% rate, nearing the 50-year average rate of 4%. With that in mind, housing, food, energy and healthcare expenses are all projected to gradually rise over the next few years. Since the majority of retirees live on a fixed income, the ability to keep ahead of inflation becomes more difficult as time goes on. So if the annual inflation rate is 3%, then the cost of living would essentially be 30% more over ten years.

At the center of controversy, which has been for decades, is Social Security. Even with COLA applied to Social Security payments, medical expenses not covered by Medicare are expected to rise more than the COLA increases as reported by the Senior Citizens League. The COLA increase for 2021 Social Security payments is 1.3%, while the increase in Medicare Part B premium for 2021 is 6%, a significant difference. (Sources: Social Security Administration, Senior Citizens League)

	SS COLA	MEDICARE PART B INCREASE
2010	0.0	14.6
2011	0.0	4.4
2012	3.6	-13.4
2013	1.7	5.0
2014	1.5	0.0
2015	1.7	0.0
2016	0.0	16.1
2017	0.3	10.0
2018	2.0	0.0
2019	2.8	1.1
2020	1.6	6.7
2021	1.3	6.0

How The Fed Makes Money For The Government – Government Structure

The Federal Reserve acts as a separate and individual entity from the U.S. government. It has the ability to create and manage its policies for the benefit of the U.S. financial system. Large banks throughout the country, also known as money center banks, deposit their excess cash with the Federal Reserve. The Fed in turn pays interest to banks on those deposits. When interest rates fall, the Fed pays out much less in interest expenses. After the Fed pays all of its operating expenses, it then sends the rest to the U.S. Treasury. The U.S. Treasury uses the funds to help cover U.S. government expenses and bills.

This past year in 2020, the Federal Reserve sent $88.5 billion in profits to the U.S. Treasury, nearly a 66% increase from the previous year. Payments to the Treasury by the Fed has actually fallen for the past few years as rates have risen. The onset of the pandemic and the dramatic reduction in interest rates by the Federal Reserve in 2020 sharply reduced interest payments paid to banks on excess reserves. (Sources: Federal Reserve, U.S. Treasury)