Happy New Year! Welcome to 2021 and all the hope it brings with it that we will see an end to Covid-19 followed by a global economic recovery. Reflecting back on 2020, it's amazing how everything changed in a such a short time period, led by the Government shut-down in March of our economy in response to the spread of Covid-19. Who could've ever imagined that Government leaders around the world would choose to shut down their economies and lead the global economy into recession? As challenging as last year was, can you imagine what it would've been like without the technology that we take for granted each and every day? Think back to 1918 and the Spanish Flu Epidemic that spread throughout the world with the return of soldiers from WWI; there were no computers, smartphones, television, curb-side pick-up or home delivery of groceries. How lucky we are to have had access to things like Zoom, Amazon, food & grocery delivery, and the internet!

The rapid spread of the virus over the winter caused global equity markets to experience one of the fastest declines in history, immediately followed by one of the quickest recoveries from a bear market in history. Now that 2020 is in the history books, it reminds me a lot of 1987; U.S. equity markets were at all-time highs, the economy was still fairly robust, then in October the Dow Jones Industrial Average had its largest single day drop in history (over 20%). What these two years have in common, is the equity markets were at all-time highs, the economy was expanding, they both experienced record declines, and in both years the equity indexes ended in positive territory. When we survive years like 2020 and 1987, it just reinforces how unlikely it is that anyone can "time" the markets. If someone made an investment on January 1st of either of these years, turned off the news, and did not check their statement until December 31st of that year, they would've thought it was a good year. One of the key take-always from a year like 2020, is to have a plan in place, make minor changes like rebalancing and tax-loss harvesting as needed, and do not react to what is happening in the markets at the moment. The U.S. equity markets bottomed on March 23rd, roughly ten days after the states started shutting down businesses; no one could have predicted this.

2020 turned out to be a very good year for the large technology companies as consumers stayed home, streamed movies, shopped online, and held virtual meetings. These same technology companies are the ones that led us out of the bear market as their earnings soared over the course of the shutdowns. As we got into September and it looked likely that we would soon have a vaccine, the breadth of the equity rally expanded to include those companies that had been hurt by the recession. Investors began to look beyond the pandemic to sectors like the financials, industrials, energy, smaller companies, and International companies. This is a trend we would expect to continue as more people are vaccinated around the world and people are free to move about. Another factor supporting this belief is that valuations on the large technology companies have gotten very rich, and it is hard to see how they can possibly grow their businesses in line with current valuations. Having said this, we still have not reached the extreme valuations we experienced back in 2000; though the price disparity between these large-cap technology companies and the rest of the market has only been this wide on three occasions. Following each of these three periods, value-oriented stocks outperformed their growth counterparts quite significantly. The other trend that may continue into 2021 is the weakening of the U.S. dollar. During periods of heightened volatility, global investors tend to flock to U.S. based investments for safety. Once things begin to settle down and return to more normalcy, much of this money flows back into other countries. With the annual budget & trade deficits we have had here in the U.S. for 20 years now, it's hard to imagine we do not see the dollar continuing its downward trend. This is not entirely bad, as this makes U.S. goods cheaper to foreign buyers and helps domestic manufacturing.

We will be contacting you over the next several weeks to setup our spring meeting with you. We plan on holding meetings virtually the first half of this year and will reevaluate what we do for the fall meetings later. Remember January 15th is the final quarterly tax payment deadline for 2020 estimated tax payments. Let us know if you need help calculating your estimated payment. As of now, we are not scheduling any events until we are comfortable it is safe to gather in groups.

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