



Financial Markets

Total Returns through December 31, 2020

9690.424 10.90.24 Tr

MSCI Emerging Markets	19.70%	18.31%
US Fixed Income		
Bloomberg Barclays Gov't/Credit	0.82%	8.93%

Disparities between the economy and stock market that account for much of their varying paths. Equally important, the economic reports only describe the recent past, investors look forward, and stocks are based upon their expectations for the future. Indeed, the market is often viewed as an aggregation of investors' beliefs about the path of corporate profits both in the near term and long into the future. In the markets both quarterly, investors believe the long-term outlook has brightened.

Finally, Some Answers

The pandemic remains central to all forecasts. Though COVID-19 cases and death counts continue to rise, the developments related to vaccines during the last couple months likely had the greatest impact in setting the market's positive tone. Better-than-expected trial data was released for two vaccine candidates, and shortly thereafter they received Emergency Use Authorization by the FDA. Other candidates have also reported promising preliminary data, with additional and broader approvals expected in the coming months. Even under the best of circumstances, however, the vaccination program entails huge logistical challenges. Amongst these are special storage and handling requirements, reconstitution protocols, booster shots at a specified lag, and the goal of medically optimal and socially equitable prioritization. G--

witnessed during the pandemic. Businesses have closed, jobs have been lost, and rising food insecurity has strained food banks across the country. This economic pain has not been felt evenly across industries, nor the population. Much of the economic displacement has been felt by those on the lower rungs of the economic ladder, and particularly by those employed in hospitality-related service industries. Their hardship is showing up in some of the economic data. According to the Federal Housing Administration, which insures home loans to low-to-moderate income borrowers, over 10% of their single-family home loans were 90-days delinquent in November. A year prior, that figure was just 2%.

Ironically, in the aggregate, American balance sheets have actually improved during the past year. Largely due to the programs included in the CARES Act, cumulative personal after-tax income increased by 8% from March through November versus the same period in 2019. Even after many of the CARES programs expired, aggregate November income was above the pre-pandemic level. Concurrently, restrictions that have largely prevented travel, eating out, in-person shopping, and live entertainment among other activities, has sharply reduced

Portfolio Positioning

After gaining 55% in value over the last two years, stocks are no longer cheap. But current prices, in our view, still allow for further appreciation. With continued support from the Fed and Congress, and a vast pool of pent up consumer demand, prospects for the economy appear bright. We anticipate that corporate profits will rise substantially in 2021. This includes continued momentum for those companies who either benefited from or were unaffected by the stay-at-home order.