



# *Soundings*

## What's New - January 2021

Quote of the month:

*"Don't wish it was easier, wish you were better. Don't wish for less problems, wish for more skills. Don't wish for less challenge, wish for more wisdom." Jim Rohn*

2021...We made it. Last year brought challenges not even Nostradamus could have predicted. But if you're reading this, you rose to the occasion. Every roadblock, every speedbump, every obstacle that we successfully navigate makes us better prepared for the next. Over time, this should bring us the confidence that we can improvise, adapt, and overcome any storm that crosses our path. After all, it takes fire to temper steel. Happy New Year my friends.

While we know the turning of the digit from 0 to 1 didn't change the alignment of the universe, December's developments make it easier to approach the new year with a feeling of new possibilities. Vaccines are being distributed, the major market indices show between modest and stellar growth and some of the sectors of the economy most diminished by the pandemic are demonstrating strength. As Raymond James Chief Investment Officer Larry Adam put it, "December punctuated a surprisingly strong market year with an exclamation point." We're not out of the woods yet, but there seems to be real momentum behind the market and an opportunity to potentially pick up value from stocks most tied to an economic recovery, as well as some possible stability from 2020's top performers.

"I don't know where I'm going from here, but I promise it won't be boring." The author of this month's *Market & Economic Commentary*, led with the aforementioned quote from David Bowie. His piece sums up the past year and gives his thoughts on where we could be headed. One thing for sure, just as the alter ego to Ziggy Stardust suggests, it will not be boring. First, the numbers...

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# Market Update - Year to Date Returns

<u>Major Indexes</u>	<u>(As of 1/01/21) *</u>
Dow Jones Industrials	7.3%
S&P 500 Index	16.3%
NASDAQ	43.6%
DJ Global ex US	8.6%
Russell 2000 (small cap index)	18.4%
Barclays Capital Aggregate Index (Bonds)	7.5%
XAU (gold/silver)	34.9%

D.A.L.I. Signals - 12/30/2020

[D.A.L.I. Page](#)

Dom. Equities	Int'l Equities	Commod	Fixed Income	Cash	Currency
<b>329</b> 30.3%	<b>237</b> 21.8%	<b>160</b> 14.7%	<b>155</b> 14.3%	<b>111</b> 10.2%	<b>93</b> 8.6%

**Source: Nasdaq Dorsey Wright**

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange.
- The Barclays Capital Aggregate Index measures changes in the fixed rate debt issues rated investment grade or higher by Moody's Investors Service, Standard & Poor's, or Fitch Investors Service, in that order. The Aggregate Index is comprised of the Government/Corporate, the Mortgage-Backed Securities, and the Asset-Backed Securities indices.
- DALI is a proprietary matrix created by Dorsey Wright & Associates, an independent 3<sup>rd</sup> party. It presents the relative strength relationship of six broad asset classes or "teams", domestic equities, international equities, commodities, fixed income, cash, and currencies. Each are represented by an equal number of ETFs. Each team play against each member of the other teams, with net victories tallied in an effort to rank each asset class team by order of overall strength. Raymond James is not affiliated with and does not authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.
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# Market & Economic Commentary

As the year-end numbers illustrate, 2020 was a good one for the major indices. We made it to 2021 with new watermarks across the board. The Dow has held its own in performance, and the NASDAQ knocked it out of the park as tech responded to the new paradigm of digital commerce. The resiliency of these markets has shown capitalism is very much alive and strong in spite of the global economic contraction resulting from the pandemic. You can see the impact of the approvals of now three vaccines to start the tedious process of distribution and inoculation, which is expected to be in full force by mid-2021. There is truth to the statement that Wall Street has put the virus in its "rear-view mirror," and can now focus on restoring the damage to small businesses. These businesses are the cornerstone of employment, and the basis for renewed optimism for higher profits in 2021 as we work our way back to an open society and meet the pent-up demand of the consumer.

Indeed, there are more hurdles to overcome. Trying to get past the 50% benchmark for inoculation of our general population and changing the slope of our current positivity rate remains a challenge. Washington has battled within partisan political lines, and the \$908B package is reckoned by most market participants to be a "drop in a bucket." However, the real challenge is providing aid to those in need, and not everybody falls in that category. The best evidence, based on data, is the 36% growth in online sales (45% globally) this past holiday season. We are still in the initial stages of a global conversion to digital commerce platforms, and it is part of a potential improvement on margins globally as technology increases productivity and helps maintain an acceptable cost of production. This becomes a topic for debate down the road to recovery, as we have to continue monitoring potential inflationary pressures that may evolve as a consequence of QE policy. For the present, we feel comfortable that global central banks will maintain low interest rates in combination with asset purchase programs, and the monetary stimulus will benefit interest-rate-sensitive classes (i.e. small cap stocks). Again, here in the U.S., the housing industry is doing amazingly well as the low mortgage rates give buyers more purchasing power, and gives builders, who may be experiencing higher costs of raw material (i.e. wood), some protection to their margins.

We turned the page on a rough, emotional social distanced year, so the question now becomes what to expect in 2021? Reality sets in and reminds us we have to maintain our protective health measures probably well through mid year and the cold weather months are sure to test our resolve. But there are still plenty of arrows in the quiver to fight for a continued economic recovery alongside a general health improvement with every new passing day of inoculation. We can understand the existence of a pent-up demand as part of our innate desire to return to a normal social environment. We can argue, with reason, that small caps can do well in a low-rate environment as they introduce new technology to be able to reach a wider range of consumers. We don't believe large caps will be far behind as they expand into global markets ripe for new infrastructure development. One thing is clear, the world is awash in cash and savings, and now that we see a way to re-open global economies, there will be plenty of good opportunities clamoring for investors' attention. It's not hard to envision a new competitive environment in railroads, sea transportation and airports as they pursue the pent-up demand for their services.

It's not the purview of this commentary to pick stock winners and losers for 2021 as we invest for the long term, not just the next twelve months. Moreover, we laid out a case for another 10% growth scenario for our markets in 2021, given the base assumption of continued recovery from the insidious pandemic in the second half of the year.

One last reality check - volatility is not going away any time soon. We are fast learning the advancement in technology and program trading capabilities adds to the speed of execution and increases the intra-day ups and downs in our trading floors. Risk management is more essential now than ever to mitigate these fluctuations. It remains a core principle of our investment strategy. The summation is simple, we bid a welcome farewell to 2020 and hope that we never experience anything like it again.

**Kevin Simpson, Founder, Capital Wealth Planning, "Turning the Page on 2020", Monday Morning Observations, 01/04/21**

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## On a Personal Note

When it comes to projects around our house requiring patience and attention detail, it's very clear who has the lead role. So, when it came time to tackle the major chore of painting the exterior of our home, I stepped aside and did what I was told. Kathleen is a machine - singularly focused, like Arnold Schwarzenegger in the 1st Terminator movie.

When Hurricane Ivan took the original structure in 2004, we rebuilt on pilings to minimize the chance of a repeat performance. The replacement is a modest 2,500 square feet, but it's perched upon 10-foot pilings, shrouded with break-away walls, sided with Hardi-plank, giving it twice as much area to paint. Focused and frugal, my "smart K-Mart shopper" did the whole thing with 2 brushes and a roller. I know - "I'm not worthy". And when I say, "did the whole thing", I mean that literally. Sure, I helped, but it was purely a support role and I rarely ever touched a brush.

Every good story involves conflict and in Kathleen's case, it was *Man versus Nature*. Her nemesis was not a Marlin, but the weather. Precipitation and painting do not mix and this time of the year, that's a wildcard. For me, it was *Man versus Machine*. To reach the 2nd story, we rented a 42-foot hydraulic bucket lift with which I was tasked to operate. It looked like a big yellow steel Scorpion. I would position it with my truck, and then work the hydraulic arms in a way to get Kathleen where she needed to be got, avoiding power lines, neighbor's fences, roof lines, and other hazards.

In the end, we got it done. No one was injured, electrocuted, or fell to their deaths, good news since it was 2020 and you just never know. As I get more comfortable in the realization that our financial plan is going to work out and we are going to leave our Earthly bounds with money left over, this is likely the last of these type projects we will ever do on our own. Thanks for the memories, sweetheart.

Collin shared a recent nightmare. He dreamt he was reading an article in a financial planning journal that dispelled an old rule of thumb regarding safe distributions from retirement accounts. This new data would suggest our 4-6% rule was way outside the realm of safety and the majority of our clients were in serious danger of running out of money down the road. Of course, it completely freaked him out and he woke up as if the monsters were back under his bed. It made me realize that he gets it...this stuff is real. This is way more than a job for him, it's become a calling. Not bad for a 23-year-old.

I've also come to realize that, at the office, Collin is my Service Animal. I mean that in a good way and even brought it up in a client meeting. I will never retire...this is what I'm supposed to do and how I'm supposed to serve. That said, it can be a lonely place, not at all un-stressful. Collin makes me better than I'd otherwise be, a thoughtful sounding board and protégé who challenges me to keep growing, learning, and teaching. Thanks kid, I'm glad you're here.

As always, I hope you're enjoying each day as it comes...

Warmest regards,



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