Weiss Wealth Management Group of Raymond James®

THE WEISS REPORT

SMART AND STEADY

Volume 24, Number 1 | January 13, 2021

LEONARD A. WEISS
SENIOR VICE PRESIDENT, INVESTMENTS
LEONARD.WEISS@RAYMONDJAMES.COM

LOWELL J. WEISS, J.D., CFP®
FINANCIAL ADVISOR
LOWELL.WEISS@RAYMONDJAMES.COM

WEISSWEALTHMANAGEMENT.COM

DJIA: 31,084 | NASDAQ: 13,088*

# A Historic Year for Markets

This piece was written before the events of January 6, 2021. We strive to keep this newsletter market and economic specific and purposefully keep pure political discussion to an absolute minimum. With that goal in mind, we will continue to keep the focus here on markets. If you'd like to discuss the events in Washington DC, any aspect – political or not, please reach out to the office.

The most tumultuous year in recent memory ended on a high note for markets as the fourth quarter brought political and medical clarity, and that resulted in substantial market gains over the past three months which helped to make 2020 a surprisingly strong year for market returns.

The fourth quarter started with investors facing substantial uncertainty across multiple fronts. Politically, President Trump contracted COVID-19 which underscored the prevalence of the virus and added further uncertainty to the looming election. Regarding the pandemic, after several months of relative stability in COVID-19 cases, infections began to rise rapidly across much of the United States as fall set in.

Additionally, despite multiple rounds of negotiations, Congress and the White House were unable to come to a compromise on a new economic stimulus bill. That uncertainty weighed on markets in October, and the S&P 500 finished the month with modest losses.

But the first two weeks of November provided the clarity markets desired, and that paved the way for substantial gains in stocks over the next month. First, the presidential election was executed successfully, and while there were multiple accusations of election fraud and numerous legal challenges brought by the Trump campaign, Joe Biden was widely accepted as the winner and President-elect. Furthermore, it appeared that Republicans would continue to hold a small majority in the Senate, potentially ensuring a market-friendly, divided government for the next two years.

Then, on Monday, November 9, less than a week after the election, Pfizer announced that its COVID-19 vaccine was more than 90% effective at preventing infection, which was substantially better than initial estimates. A week later, Moderna announced its COVID-19 vaccine was 95% effective at preventing

infection. This double dose of positive medical news provided hope for investors that the end of the pandemic was now only months away, and that fueled a strong rally that lasted for the remainder of the month, sending the S&P 500 to new all-time highs.
As we began December, the consistency of the good news in November helped investors look past the surging number of new COVID-19 cases and the growing intensity of lockdown measures implemented across the country to slow the spread of the virus. But by mid-December, New York City school closures and new dining restrictions, along with a near state-wide "Safer at Home" order in California, began to weigh on economic activity and that became a headwind on stocks. Shortly thereafter, however, the FDA approved the distribution of both the Pfizer and Moderna vaccines, and the roll out of the vaccine helped to remind investors that the end of the pandemic was hopefully only months away. As such, the surging number of coronavirus cases and widespread economic lockdowns did not cause a material decline in stocks. Finally, just before the end of the year, Congress approved a $900 billion stimulus bill that would help support the economy as it continues to recover from the pandemic. That news helped the S&P 500 hit a new all-time high just before year-end.

**In sum, markets ended a historic year on a high note**, as federal economic support, record-breaking vaccine development, and an incredibly resilient corporate America helped to more than offset the worst global pandemic in more than a century.

4th-Quarter and Full-Year 2020 Performance Review

All the major U.S. stock indices were solidly higher in the fourth quarter, led once again by the tech-heavy Nasdaq, which mildly outperformed on still-lingering concerns about near-term economic growth following the surge in COVID-19 cases into year-end. But the Nasdaq outperformance was minor relative to earlier in the year, and the S&P 500 and Dow Jones Industrial Average also posted solidly positive quarterly returns. On a full-year basis, however, the Nasdaq handily outperformed the other two large-cap indices in 2020 as investors sought the secular growth potential of the tech sector amidst macroeconomic uncertainty.

By market capitalization, small caps substantially outperformed large caps in the fourth quarter, and those late year gains helped small caps to slightly outperform large caps in 2020. Through the first three quarters of 2020, large-cap stocks outperformed small caps due to investor concerns about future economic growth during and after the pandemic, as large caps are historically less sensitive to an economic slowdown than small-cap stocks. However, that outperformance was reversed during the last three months of the year on vaccine optimism, more stimulus from Congress, and a reiteration of very accommodative monetary policy from the Fed for years to come.

From an investment style standpoint, value outperformed growth for the first time in 2020 during the fourth quarter. The outperformance by value stocks underscored investor optimism for an economic rebound in 2021, again, courtesy of multiple COVID-19 vaccines and more economic stimulus. For the full year, however, growth massively outperformed value due to strength in the tech sector.

On a sector level, all 11 S&P 500 sectors finished the fourth quarter with positive returns. Cyclical sectors, including energy, financials, industrials, and materials led markets higher over the past three months, which was a reversal from the underperformance those sectors saw throughout the first three quarters of 2020. The familiar influences of vaccine optimism and stimulus hopes were the primary drivers behind the cyclical outperformance in the fourth quarter. For 2020, however, the tech sector was, by far, the best-performing sector in the market as investors flocked to tech stocks that were viewed as beneficiaries of numerous pandemic-related changes in behavior, including substantial increases in online shopping and work from home.

Sector laggards in the fourth quarter were the traditionally defensive market sectors. Utilities, real estate, and consumer staples underperformed the S&P 500 on the prospects of a strong economic rebound. On a full-year basis, energy was the biggest laggard amid the threat that slowing global growth might result in a historic glut in oil inventories worldwide. Energy shares finished 2020 with sizeable losses, despite the big rebound in the fourth quarter.

| S&P 500 Total Returns by Month in 2020 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| -0.16% | -8.41% | -12.51% | 12.68% | 4.53% | 1.84% | 5.51% | 7.01% | -3.92% | -2.77% | 10.75% | 3.71% |

*Source: Morningstar*

| US Equity Indexes | Q4 Return | 2020 Return |
|---|---|---|
| S&P 500 | 12.15% | 18.40% |
| DJ Industrial Average | 10.73% | 9.72% |
| NASDAQ 100 | 13.09% | 48.88% |
| S&P MidCap 400 | 24.24% | 13.10% |
| Russell 2000 | 31.37% | 19.96% |

*Source: YCharts*

Looking internationally, foreign markets saw positive returns in the fourth quarter thanks to the combination of the European Central Bank increasing its pandemic-related QE program, Brexit clarity, and general optimism that vaccine distribution would result in a future rebound in global economic growth. Emerging markets outperformed foreign developed markets and the S&P 500 in the fourth quarter thanks to a substantially weaker U.S. dollar along with an improving outlook for the global economy. For the full year 2020, foreign markets registered solidly positive returns, with emerging markets outperforming thanks to the aforementioned decline in the U.S..dollar. However, foreign developed markets underperformed the S&P 500 last year.

Commodities enjoyed strong gains in the fourth quarter, led higher by a rally in oil while gold was little changed over the past three months. Oil prices rose in the fourth quarter thanks to optimism towards a global economic rebound in early 2021 following the vaccine announcements, combined with continued production discipline by "OPEC+." Gold, meanwhile, spent much of the fourth quarter in negative territory as investors rotated out of the safe-haven metal and into more risky assets following the positive vaccine developments, election results, and stimulus bill passage. For 2020, however, commodities posted a substantially negative return largely due to a significant decline in oil futures prices, which made history by falling into negative territory for the first time ever during the month of April, as the pandemic-related lockdowns crippled demand for refined products. Gold did notably end the year with a positive return, with the weaker dollar and firming inflation expectations buoying the precious metal.

Switching to fixed income markets, total returns for most bond classes were positive in the fourth quarter and the leading benchmark for bonds (Bloomberg Barclays US Aggregate Bond Index) experienced slightly positive returns for the ninth straight quarter.

Looking deeper into the fixed income markets, longer-duration bonds underperformed those with shorter durations in the fourth quarter, which was a reversal from most of 2020. That was reflective of a market responding to the Fed's promise of low rates, potentially for years to come.

Confirming improved sentiment in the fourth quarter, which was again due to vaccine distribution and stimulus, corporate bonds saw solidly positive returns as high-yield debt outperformed investment-grade debt. The outperformance of lower quality but higher-yielding corporate debt also underscored rising optimism for an economic rebound in 2021 given the vaccine and stimulus, and a positive view of future corporate earnings.

## 1st Quarter and 2021 Market Outlook

As we end 2020 and turn our focus towards 2021, we first want to acknowledge the hardship that so many have endured over the past 12 months, be it physical, emotional, or financial, and we sincerely hope that those burdens are eased in 2021 and beyond.

But as we begin a new investing year, we are pleased to say that, from a macroeconomic standpoint, the outlook for 2021 is materially more positive than it was for the majority of 2020.

First, the Fed is continuing its historic QE program and will keep rates low for years to come. That should continue to help to support asset markets broadly. Meanwhile, Congress has finally agreed on another historically large fiscal stimulus bill which will help the economy weather the still ongoing COVID-19 pandemic and related economic lockdowns. Politically, neither party has a material majority in either house of Congress and as such, markets are not concerned about policy risks to the economy (substantial tax increases, excessive regulation, or major initiatives like healthcare reform). Finally, corporate America has once again seems to demonstrate itself to be both resourceful and resilient, and while some industries (airlines, cruise lines, hotels) face a long road to total recovery, many American companies have exited 2020 in strong financial shape. As shocking as it may sound, we believe the fundamental outlook for stocks is positive as we start 2021.

But, as 2020 has taught us all, nothing is guaranteed, and we must expect the unexpected. To that point, unemployment remains historically high (still well above levels we saw at the depths of the Great Recession) and while many of those unemployed workers should return to work once the pandemic begins to recede, it is unclear how many small businesses will have survived to hire them back.

Additionally, as the economy begins to normalize, the appetite for more stimulus from Washington will diminish, and again, it is unclear just how quickly we can expect economic growth to return to pre-COVID levels. Regarding stimulus, investors need to remain wary of the negative consequences of the ballooning federal debt and budget deficits. We will continue to review inflation and interest rates as they are some of the most sensitive instruments to increased deficits and Federal debt. Finally, stock valuations are at multi-year highs.

None of these risks, by themselves, offset the positive factors helping the economy and markets as we begin a new year, and again, the macroeconomic outlook for 2021 is positive. But there are certainly risks and we will continue to monitor them diligently.

In sum, as we consider all that has occurred in 2020 and look forward to 2021, one of the biggest takeaways from this historically volatile year in the markets is that a well-planned, long-term-focused and diversified financial plan can withstand virtually any market surprise and a related bout of volatility, including the worst pandemic in 100 years.

Successful investing is a marathon, not a sprint, and even intense volatility like we experienced in the first half of 2020 is unlikely to alter a diversified approach set up to meet your long-term investment goals.

The resilient nature of markets in 2020 notwithstanding, we remain vigilant towards risks to portfolios and the economy, and we thank you for your ongoing confidence and trust. Please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Please do not hesitate to contact us with any questions, comments, or to schedule a portfolio review.

**Enclosure #1** – Our first enclosure is the Investment Strategy Quarterly piece from Raymond James. This provides a quick understanding of relevant themes in the investment world. Additionally it provides an economic snapshot as well as a tactical outlook. We like to include this in the Weiss Report as a handy two-page reference – even in moments like this.

**Enclosure #2** – Our second enclosure is a discussion on inflation and what recent Federal Reserve moves could mean in the future. Brian Wesbury, from First Trust Advisors, provides a look at what states can do individually to spur their local economies.

**Enclosure #3** – Our last enclosure is a new writing from our team member Lenny Weiss. He provides an important contextual conversation about the panic cycle of markets

**Important Disclosures**

This report is not intended as a complete description of the securities, markets or developments referred to herein. It should not be viewed as an offer to buy or sell any of the securities mentioned. Information has been obtained from sources considered reliable, but we do not guarantee that the foregoing report is accurate and complete. Additional information and sources are available upon request.

The enclosures are being provided for informational purposes only. They do not necessarily reflect the opinion of Raymond James & Associates or its employees. Raymond James & Associates does not render legal advice on tax or legal matters. You should consult with a qualified tax advisor prior to making any investments decision.

Past performance does not guarantee future results. There is no assurance the trends mentioned will continue. No investment strategy, including diversification and asset allocation, can guarantee a profit or protect against loss in a declining market. Dividends are not guaranteed and will fluctuate. This analysis does not include transaction costs and tax considerations. If included these costs would reduce an investor's return.

The authors' opinions are subject to change without notice.

Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US.

It is not possible to invest directly in an index. The S&P 500 is an unmanaged index of 500 widely held stocks. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. Past performance may not be indicative of future results.


Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®,

CERTIFIED FINANCIAL PLANNER™ and CFP in the U.S.


*Raymond James is not affiliated with and does not endorse the opinions or services of Brian Wesbury, First Trust Advisors, or Nationwide*

Raymond James & Associates, Inc., Member New York Stock Exchange/SIPC

Any opinions are those of Leonard A. Weiss and Lowell J. Weiss and not necessarily those of RJFS or Raymond James. Expressions of opinion are as of this date and are subject to change without notice. There is no guarantee that these statements, opinions, or forecasts provided herein will prove to be correct. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. There is no assurance any of the trends mentioned will continue or forecasts will occur. The information has been obtained from sources considered to be reliable, but Raymond James does not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Investing in certain sectors may involve additional risks and may not be appropriate for all investors. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

Enclosure #2: The attached information was developed by First Trust, an independent third party. The opinions are of the listed authors at First Trust Advisors L.P., and are independent from and not necessarily hose of RJFS or Raymond James. All investments are subject to risk. There is no guarantee that these statements, opinions, or forecasts provided in the attached article will prove to be correct. Individual investor's results will vary. Past performance does not guarantee future results. Forward looking data is subject to change at any time and there I no assurance that projections will be realized. Any information provided is for informational purposes only and does not constitute a recommendation. Investing involves risk and you may incur a profit or loss regardless of strategy selected.

*Prices of DJIA and NASDAQ as of 01/13/2021.

The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, measures the performance of mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

First Trust
Monday Morning OUTLOOK

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke, CFA – Senior Economist
Bryce Gill – Economist

630-517-7756 • www.ftportfolios.com January 4, 2021

# Keeping Good State Policies

When it comes to attracting people, jobs, and businesses, some states are just better than others. While the total US population increased 6.5% from 2010 to 2020, it increased 17.1% in Utah, 16.3% in Texas, 16.3% in Idaho, 16.1% in Nevada, 15.8% in Arizona, and 15.3% in Florida. Meanwhile, state populations declined in West Virginia, Illinois, New York, Connecticut, and Vermont, with very slow population growth elsewhere in the Northeast and Midwest.

At least three major tech companies are in the process of moving their headquarters from California to Texas; financial firms are moving operations from New York to Tennessee and Florida. Workers and businesses are voting with their feet.

This migration towards greener pastures has some worried. Why? The concern is that people leaving high-tax, less competitive states with the kinds of anti-growth government policies that have already driven businesses and workers away will bring to their new states the attitudes and voting habits that made their old states worse for business in the first place. Bad policy is bad policy, regardless of the zip code, let's not make the same mistakes in a new place.

Here's a game plan for states that have attracted so many newcomers to stave off the importation of bad policy. Ideas to keep these vibrant states vibrant.

First, states should refrain from adopting new tax systems layered on top of old ones, in particular introducing an income tax. It's simple, really: the more ways a state has to raise revenue, the larger the share of the state's economy the government will take. If a state doesn't yet have an income tax, the best option is to enshrine that status in the state Constitution.

Second, states should replace any defined-benefit plans for government workers with defined-contribution plans (401Ks). Traditional defined benefit plans provide disproportionate benefits to workers who remain at the same job the longest, even if they're no more productive than younger workers (and often less). A defined contribution system would incentivize less tenure with the government, which would help prevent the government from having workers with a built-in interest in simply growing the size of government.

Third, replace as much of the public school system as possible with a broad system of education vouchers, which families can use to choose schools for their children. Putting families, not government, in control of education tax dollars will reduce the impact of the education system on future voters and help realign power from bureaucrats to citizens.

Fourth, states should make it easy to build more single-family detached housing in the suburbs and elsewhere. Keeping housing costs down for parents will help families grow and prevent incumbent homeowners from squeezing newcomers and the next generation into family-unfriendly living quarters.

Last, make sure elections get held in November of congressional election years. In many places around the country, local elections are held on "off" years or earlier in the year, which enables politically-active interest groups to overly influence low-turnout elections. Having elections when more people show up reduces the power of these special-interest groups.

We're sure there are other good ideas out there, too. Hopefully, states with smaller governments and larger private sectors will use these ideas to help themselves stay that way. Let's not retry the same old failed policies.

| Date/Time (CST) | U.S. Economic Data | Consensus | First Trust | Actual | Previous |
|---|---|---|---|---|---|
| 1-4 / 9:00 am | Construction Spending – Nov | +1.0% | **+1.2%** | +0.9% | +1.3% |
| 1-5 / 9:00 am | ISM Index – Dec | 56.7 | **57.0** | | 57.5 |
| *afternoon* | Total Car/Truck Sales – Nov | 15.7 Mil | **16.1 Mil** | | 15.6 Mil |
| *afternoon* | Domestic Car/Truck Sales – Nov | 12.4 Mil | **12.4 Mil** | | 12.0 Mil |
| 1-6 / 9:00 am | Factory Orders – Nov | +0.7% | **+0.7%** | | +1.2% |
| 1-7 / 7:30 am | Initial Claims – Jan 4 | 803K | **800K** | | 787K |
| 7:30 am | Trade Balance - Nov | -$67.0 Bil | **-$67.7 Bil** | | -$63.1 Bil |
| 9:00 am | ISM Non Mfg Index – Dec | 54.5 | **54.6** | | 55.9 |
| 1-8 / 7:30 am | Non-Farm Payrolls – Dec | 62K | **82K** | | 245K |
| 7:30 am | Private Payrolls – Dec | 50K | **77K** | | 344K |
| 7:30 am | Manufacturing Payrolls – Dec | 16K | **10K** | | 27K |
| 7:30 am | Unemployment Rate – Dec | 6.8% | **6.7%** | | 6.7% |
| 7:30 am | Average Hourly Earnings – Dec | +0.2% | **+0.3%** | | +0.3% |
| 7:30 am | Average Weekly Hours – Dec | 34.8 | **34.8** | | 34.8 |
| 7:30 am | Consumer Credit– Nov | $9.0 Bil | **$5.9 Bil** | | $7.2 Bil |

*Consensus forecasts come from Bloomberg. This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.*

# INVESTMENT STRATEGY QUARTERLY QUICKVIEW

JANUARY 2021

## THEMES

### Vaccines

In December, the FDA granted emergency use authorizations in the United States for the Moderna and Pfizer COVID-19 vaccines. The efficacy rates (of 94.1% for Moderna and 95% for Pfizer) exceeded our, and most experts', expectations. Vaccinations have already begun for those most at risk (healthcare workers and residents of long-term care facilities) and will continue in subsequent phases for essential workers, followed by high-risk adults and the elderly, and concluding with healthy adults. We anticipate 'herd immunity' and a full return to normal within the US by the second half of 2021.

### US Economy

Consumer spending fell sharply amid the COVID-19 spring lockdowns and most of the hit was to consumer services, including leisure and hospitality, tourism, spectator events, and restaurants. However, savings of mid- and upper-income households increased during the pandemic and people will be eager to travel, go to music and sporting events, and resume their previous lifestyles when the pandemic is over. Most likely, the level of GDP will match the fourth quarter 2019 level by the middle of 2021. The study of past pandemics shows that economic activity eventually recovers after the crisis has passed. Importantly, we should be better prepared for the next one.

### US Equity

Our base case S&P 500 target for 2021 is 4,025 ($175 EPS, 23x P/E). We believe it is important to maintain a healthy allocation to the areas operating best through the pandemic, while also accumulating areas with the greatest leverage to the economic recovery. Thus, our current overweight sector recommendations are Technology, Communication Services, Health Care, Consumer Discretionary, and Industrials. We also have a constructive view on small caps, as they have more leverage to the economic recovery that we believe will transpire in 2021.

**For more information, refer to the full** Investment Strategy Quarterly**.**

## Economic Snapshot

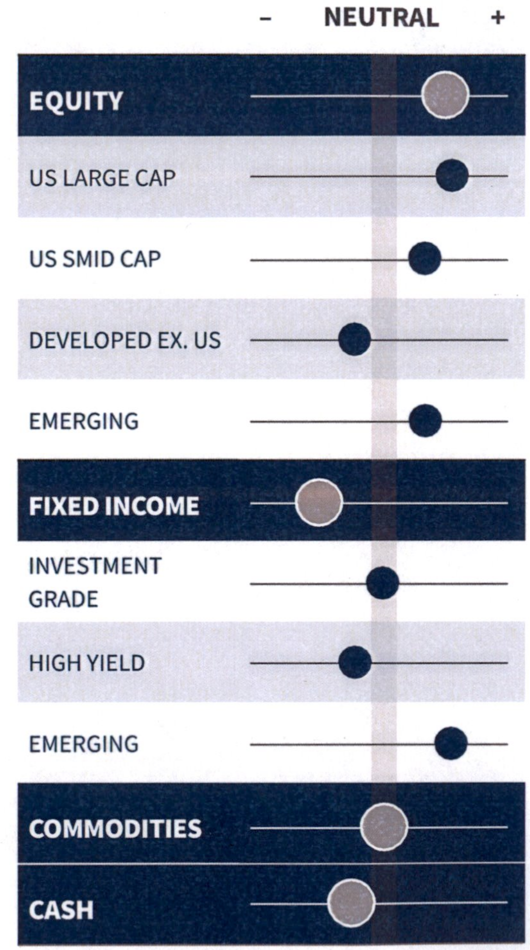
Economic Indicator

| | |
|---|---|
| FAVORABLE | GROWTH |
| | EMPLOYMENT |
| | CONSUMER SPENDING |
| | MANUFACTURING |
| | HOUSING AND RESIDENTIAL CONSTRUCTION |
| | MONETARY POLICY |
| | LONG-TERM INTEREST RATES |
| | REST OF THE WORLD |
| NEUTRAL | BUSINESS INVESTMENT |
| | INFLATION |
| | FISCAL POLICY |
| | THE DOLLAR |

**From Scott Brown, Ph.D.,**
*Chief Economist, Raymond James*

## Tactical Outlook

(6-12 months)




The tactical asset allocation outlook above reflects the Raymond James Investment Strategy Committee's recommendations for current positioning. Your financial advisor can help you interpret each recommendation within this material relative to your individual asset allocation policy, risk tolerance and investment objectives.

All expressions of opinion reflect the judgment of the Raymond James Investment Strategy Committee and are subject to change. Investing involves risk, and investors may incur a profit or a loss. Past performance is not an indication of future results. Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value. Raymond James® is a registered trademark of Raymond James Financial, Inc. © 2021 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC © 2021 Raymond James Financial Services, Inc., member FINRA/SIPC.

RAYMOND JAMES®

# INVESTMENT STRATEGY QUARTERLY QUICKVIEW

JANUARY 2021

## Capital Markets Snapshot

| EQUITY | AS OF 12/31/2020* | 4Q 2020 RETURN** | 12-MONTH RETURN** |
|---|---|---|---|
| DOW JONES INDUSTRIAL AVERAGE | 30,606.48 | 10.2% | 7.2% |
| S&P 500 INDEX | 3,756.07 | 11.7% | 16.3% |
| NASDAQ COMPOSITE INDEX | 12,888.28 | 15.4% | 43.6% |
| MSCI EAFE INDEX | 2,147.53 | 16.1% | 8.3% |
| **RATES** | **AS OF 12/31/2020** | **AS OF 9/30/2020** | **AS OF 12/31/2019** |
| FED FUNDS TARGET RANGE | 0-0.25 | 0-0.25 | 1.50-1.75 |
| 3-MONTH LIBOR | 0.24 | 0.23 | 1.91 |
| 2-YEAR TREASURY | 0.13 | 0.13 | 1.58 |
| 10-YEAR TREASURY | 0.93 | 0.66 | 1.92 |
| 30-YEAR MORTGAGE | 2.67 | 3.56 | 3.73 |
| PRIME RATE | 3.25 | 3.25 | 4.75 |
| **COMMODITIES** | **AS OF 12/31/2020*** | **4Q 2020 RETURN** | **12-MONTH RETURN** |
| GOLD | $1,895.10 | 0.0% | 24.4% |
| CRUDE OIL | $48.52 | 20.6% | -20.5% |

*Price Level
**Total Return

## Sector Snapshot

| | SECTOR | S&P WEIGHT |
|---|---|---|
| OVERWEIGHT | INFORMATION TECHNOLOGY | 28.0% |
| | HEALTH CARE | 13.7% |
| | CONSUMER DISCRETIONARY | 11.3% |
| | COMMUNICATION SERVICES | 11.0% |
| | INDUSTRIALS | 8.6% |
| EQUAL WEIGHT | FINANCIALS | 10.4% |
| | MATERIALS | 2.7% |
| UNDERWEIGHT | CONSUMER STAPLES | 6.7% |
| | UTILITIES | 2.8% |
| | REAL ESTATE | 2.5% |
| | ENERGY | 2.4% |


## DISCLOSURE:

Data is provided by the Investment Strategy Group. This material is for informational purposes only and should not be used or construed as a recommendation regarding any security. All expressions of opinion reflect the judgment of Raymond James & Associates, Inc. and are subject to change.

International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. These risks are greater in emerging markets. Commodities trading is generally considered speculative because of the significant potential for investment loss. Sector investments are companies engaged in business related to a specific sector and are are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. There is no assurance that any of the forecasts mentioned will occur. Asset allocation and diversification do not guarantee a profit nor protect against loss. Dividends are not guaranteed and will fluctuate. The value of REITs and their ability to distribute income may be adversely affected by several factors beyond the control of the issuers of the REITs. There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors or allocations discussed will be profitable. It should not be assumed that any investment recommendation or decisions made in the future will be profitable or will equal any investment performance discussed herein.

Past performance is not indicative of future results. The performance mentioned does not include fees and charges which would reduce an investor's returns. Fixed income securities are subject to interest rate risk. Generally, when interest rates rise, bond prices fall, and vice versa. Specific sector investing can be subject to different and greater risks than more diversified investments. Investing in small-cap and mid-cap stocks generally involves greater risks, and, therefore, might not be appropriate for every investor. High-yield (below investment-grade) bonds are not suitable for all Investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

**ALTERNATIVE INVESTMENTS** involve specific risks that may be greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements. There is no guarantee that any of the alternative strategies listed will be successful or that they will prevent loss.

**INDEX DESCRIPTIONS:** Please note that all indices are unmanaged and investors cannot invest directly in an index. An investor who purchases an investment product which attempts to mimic the performance of an index will incur expenses that would reduce returns. Standard & Poor's 500 (S&P 500): Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. The returns noted do not include fees and charges which will affect an investor's return.

Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise.

# 2020: To Hell and Back

Let's face it, 2020 was an awful year for us to endure. The battle with a pandemic virus, the shutting down of the country for months, and of course a steep decline in the stock market in just five weeks. Yet, somehow the Dow Jones 30 Industrials Index (DOW) closed up just under 10% for 2020!

But we live our lives so much in the present that historical perspectives are sometimes thrown out the window in favor of the hysteria de jour that ran through the country.

On December 31st, 1980 the DOW closed at 964. On December 31st, 2020 the DOW closed at 30,606. That's a gain of near 31,000% over the last 40 years. This long-term return seems like a denial of gravity, but that's the history.

Below is data of all the bear markets and severe corrections between 1980 and 2020. At the time of any of those declines it looked like a pretty bleak future. It certainly did by the end of March 2020. But like any decline listed below that DOW went on to new highs.

| Year | Duration | Percentage Decline | Cause |
|---|---|---|---|
| **1981** | June-July | -18% | Recession |
| **1987** | October | -26% | Rising Interest Rates |
| **1990** | June-September | -17% | Savings & Loan Crisis |
| **2000-2002** | August 2000 – September 2002 | -31% | Dot Com Recession |
| **2007-2009** | November 2007 – February 2009 | -50% | Mortgages & Credit Default Swaps |
| **2015** | March – November | -12% | Profits Recession |
| **2018** | October – December | -18% | Recession Fear |
| **2020** | February - March | -26% | Coronavirus |

I'm sure you're surprised at the collection of data above. However, the equity markets are where we can see the effects of Capitalism's incentives mixed in with massive new technologies. Over the years, the steady rise in the economy and profits makes great companies worth more every few years. In this context, all declines have been temporary and all advances more permanent. This concept is why we should expect sharp declines for a short time and still see markets advance thereafter.

Economic cycles play out over many years and repeat. Sir John Templeton famously said: "The four most dangerous words in investing are THIS TIME ITS DIFFERENT". But it hasn't been different in the past 40 years.

When temporary declines set in, many commentators and financial media burst out with reasons why any one set back no matter how sharp are considered to be game changers. 10 years ago, we called a sluggish recovery a "New Normal". But then history took over, and look where we are today.

Our point is that markets fluctuate and sometimes violently. But at the end of the day, market history tells us to expect brighter days in the Market, even when the night is long and dark.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of Leonard Weiss and not necessarily those of Raymond James. Expressions of opinion are as of this data and are subject to change without notice. There is no guarantee that these statements, opinions, or forecasts provided herein will prove to be correct. Investing involves risk and you may incur a profit or loss regardless of strategy selected. 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 actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions. 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.