

### **Monthly Market Commentary**

We hope that you have had an excellent start to 2021! It is hard to believe we are heading into the second month of the year already with so much happening over the past month, including the newly elected President taking office and vaccines being distributed across the country. We are hopeful for positive change over the coming months and that we can inch closer to resuming our normal everyday life!

Global markets started the year on a mixed note with a few select indices posting positive returns while others posted negative returns. Some of the political uncertainty associated with the run-off election and peaceful transfer of power had some positive impact on markets, while the future direction of policy with a democratic controlled house and senate has brought back some fear of tax hikes and substantial deficit spending.

On the economic front, first read on 4<sup>th</sup> quarter GDP came in lighter than expectations at -2.45% YoY vs -2.85% YoY in the previous quarter. In essence, the economy continues to recover from the depth of the COVID-19 crisis lows and should continue to build momentum as we progress through the first half of the year as activity gradually renormalizes. Earnings have also started to show signs of improvement as we approach midway thru fourth quarter earnings season. So far, 30% of companies in the S&P 500 have reported an aggregate sales and earnings growth on a YoY basis of 1% and 4%, respectively. Of those, 80% of companies have reported earnings beat estimates. Continued easy monetary policy and additional fiscal policy support should help further improvement in the economy as restricted mobility has slightly negative impact at the same time. Finally, the trajectory of COVID-19 infections seems to have topped for now, although they remain elevated while the curve maybe starting to slow. As more people get vaccinated, higher consumer confidence and a return to normalcy should create pent up demand for various parts of the economy. Risk assets have somewhat priced this inflection in economic activity, but there may be potential for further upside surprises depending on the pace of vaccinations and further stimulus.

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