THE CAPITAL MARKETS

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The Dow Jones Industrial Average (DJIA) finished December at 30,606 up +3.27% for the month, and +7.25% year-to-date. The S&P 500 closed December at 3,756 up +3.71% for the month, and +16.26% so far for the year. The NASDAQ Composite gained +5.65% in December, up +43.64% for the year. Small-company stocks, as measured by the Russell 2000, ended December up +8.52% for the month, +18.36% year-to-date. Consumer Cyclical (+47.59%) was the best performing sector in 2020.

"Adding those gains to 2019 gave the S&P and Nasdaq their best two-year runs since 1998 and 1999, the height of the dot-com boom." (The Wall Street Journal, *U.S Stocks Notch Records in Final Trading Day of 2020,* Caitlin Ostroff, December 31, 2020)

Year-End Review and 2021 Outlook

As much as we had hoped it would, simply turning the calendar from 2020 to 2021 does not appear likely to end the historic challenges and painful experiences many are facing, and have faced since the COVID-19 pandemic began. With daily death tolls hovering at their highest levels of the pandemic for weeks, hospitals in certain areas past capacity; and a deadly riot at the U.S. Capitol – 2021 has shown us many tough days may still be ahead. Through this and more, markets have mostly shrugged off any troubling news, reaching record highs again and again as the S&P 500 turned in it's best 2 years since 1998-1999. Many have referenced a growing disconnect between the performance of financial markets and the economic and human reality on the ground. We expect the primary drivers of this market behavior in 2020 to also play a key role heading into 2021. We'll cover these topics below, as we prepare to navigate yet another historic year together.

COVID-19: Unsurprisingly, COVID-19 and it's trajectory was a primary factor in market performance for 2020 and is likely to remain so into 2021. Markets remain optimistic that this winter will mark the peak of the pandemic, and as vaccines are successfully administered into the spring, the worst will soon be behind us. With job losses concentrated in industries such as restaurants, airlines, and hospitality, many expect the jobs recovery could be swift once the pandemic is contained and consumers venture out. Some damage may be done, however, as many restaurants and small businesses have already permanently closed and some workers, such as parents with small children, may not return to the labor force immediately.

Federal Reserve/Interest Rates: With markets pricing in an economic reopening in the near-term, unprecedented levels of monetary and fiscal stimulus is circulating in the economy and is expected to contribute to a period in 2021-22 when the economy booms following reopening and interest rates remain stimulative. This environment is favorable to asset prices and has led some to worry a bubble may be forming. We remain cautious around the markets optimistic COVID-19 timelines, as well as around the amount of damage that could occur between now and then. Following a great year in the markets, we'd encourage investors to maintain a measured, prudent, and long-term view, during both market rallies and corrections.

"Of course, the market's continued rise makes little sense except under the most optimistic projections ... But whatever is propelling the market higher, it's starting to get worrisome. Bank of America's Bull & Bear Indicator hit 7.1 this past week, up from 6.7 in mid-December, and is getting ever closer to where the indicator starts to signal extreme bullishness." (Barron's, *The Trader*, Ben Levisohn, January 10, 2021)

Jobs Recovery Stalls in December

The economy lost -140,000 jobs in December, the first decline since April, capping the worst year of job losses on record with -9.4 million jobs lost in 2020. For context, -5.05 million jobs were lost in 2009 during the Great Recession. The leisure and hospitality industry, which includes restaurants and bars, lost -498,000 jobs in December and continues to be one of the hardest hit industries during the pandemic by far. Cold weather and surging COVID-19 cases combined to make for a difficult scenario for restaurants, many of whom struggled to make it through the first round of shutdowns in the spring. While markets consider these factors temporary and likely to improve, time will tell whether the latest COVID relief measures from Congress will be enough to get many of these restaurants through to the spring without permanently closing. The risk that the pandemic worsens still and begins to affect other industries, also remains closely watched.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 11/30/2020	CLOSE AS OF 12/31/2020	CHANGE PREVIOUS MONTH END	2020 YTD % CHANGE
Dow Jones Industrial Average	29,638.64	30,606.48	+967.84	+7.25%
S&P 500	3,621.63	3,756.07	+134.44	+16.26%
NASDAQ Composite	12,198.74	12,888.28	+689.54	+43.64%
RUSSELL 2000	1,819.82	1,974.86	+155.04	+18.36%
Fed Funds Rate	0.00%- 0.25%	0.00% - 0.25%	UNCHANGED	
2-Year Treasury	0.16%	0.13%	-0.03%	
10-Year Treasury	0.84%	0.93%	+0.09%	
Crude Oil $ per Barrel	$45.34	$48.52	+$3.18	-20.54%
Gold $ per Troy oz.	$1,780.90	$1,895.10	+$114.20	+24.42%
UK Pound in U.S. $	$1.3351US = 1£	$1.3670US = 1£	$ WEAKER	+3.19%
Euro in U.S. $	$1.1962US = 1€	$1.2236US = 1€	$ WEAKER	+9.00%
Canada $ per U.S. $	$1.2959C = $1.00US	$1.274C = $1.00US	$ WEAKER	-1.75%
Japan Yen per U.S. $	104.275¥ = $1.00US	103.245¥ = $1.00US	$ WEAKER	-5.00%