



Market Commentary December 21, 2020

Dear Investors:

Congress is at \$900 billion, will they hear \$1.4 trillion, \$1.4 trillion, governments at \$900 billion, who'll go \$1.4 trillion, \$1.4 trillion...

The stimulus auction continued last week. Early on Sunday, *The New York Times* reported, "Lawmakers are on the brink of agreement on a \$900 billion compromise relief bill after breaking through an impasse late Saturday night, with votes on final legislation expected to unfold as early as Sunday afternoon and very likely just hours before the government is set to run out of funding."

Among other items, policymakers' plan to deliver new stimulus and fund the government is expected to include:

- \$600 relief checks
- \$300/week of enhanced jobless benefits through early spring
- \$15 billion for airlines
- \$14 billion for public transit systems
- \$10 billion for state highways
- \$2 billion for airports
- \$2 billion for motorcoach, school bus, and ferry industries

The Federal Reserve met last week, too. It affirmed it will continue to hold rates near zero and purchase \$120 billion of bonds every month. Nalak Das of *Nasdaq* reported:

"A low interest rate will reduce the cost of capital for businesses, while consumers will have a lesser propensity to save due to a low deposit rate. Therefore, higher spending by businesses and consumers is likely to bolster the overall economy and raise stock prices. In its latest projection, the Fed forecast the GDP [*] to decline 2.4 percent in 2020, reflecting an improvement over September's projection of a decline of 3.7 percent."

*Gross Domestic Product is the value of all goods and services produced in the nation.

Major U.S. stock indices moved higher last week.

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Data as of 12/18/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.3%	14.8%	16.2%	11.3%	13.1%	11.5%
Dow Jones Global ex-U.S.	1.6	8.1	9.0	2.7	6.6	2.8
10-year Treasury Note (Yield Only)	1.0	NA	1.9	2.4	2.2	3.4
Gold (per ounce)	2.1	23.4	27.5	14.3	12.1	3.1
Bloomberg Commodity Index	3.3	-4.4	-3.5	-2.9	0.0	-6.8

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IF YOU CAN KEEP YOUR HEAD WHEN EVERYONE AROUND YOU IS BULLISH...

(Apologies to Rudyard Kipling for paraphrasing his poem, *If*.) Tis the season when everyone assesses where we've been and where we might be going. Last week, a lot of research companies and publications explored investor confidence and expectations. Here is a brief review of the commentary being offered:

“The Great Reflation Trade of 2021: Most Optimistic Survey in its Six-Year History.” *Absolute Strategy Research* published its survey of probabilities, which asked chief investment officers, asset allocators, economists, and multi-asset strategists to describe their 12-month outlook for financial markets. The results the most optimistic result in six years with 81 percent of those participating saying they were bullish.

“Froth or fundamentals? What explains investors’ enthusiasm for risky assets?” *The Economist* wrote, “...equities have become more attractive than bonds – at first probably because bond yields fell so quickly, boosting the relative appeal of stocks, but lately thanks to the vaccine heralding the return of growth and profits, which a modest increase in yields has not offset. The rise in share prices alone, then, is probably not enough to indicate a mania...”

“The S&P 500 Could Gain Another 10% Next Year, Experts Say.” *Barron’s* cover article sported this optimistic headline and confidently reported, “This year brought heartache to Main Street but joy to Wall Street. Next year, if vaccines vanquish the coronavirus, as expected, and the economy rebounds, it could be a time of celebration for both.”

“Gleeful consensus on equities sparks concern over ‘groupthink’” *Financial Time’s* Naomi Rovnick spoke with the head of behavioral finance at a British consulting firm about exceptional levels of bullishness. He said, ““This year has been dominated by one story, which is COVID, and this is a very new and unusual situation that financial forecasters have no pre-existing framework to use to form their views...It is likely they are cleaving to consensus more than they otherwise would.””

No matter what you read about what’s to come, the important thing to remember is this: “No one can predict the markets. The overwhelming evidence from decades of academic research is that nobody can reliably and accurately forecast what the stock market will do,” reported Jeff Sommer of *The New York Times*.

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Weekly Focus – Think About It

“Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence.”

--Helen Keller, Author and lecturer

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
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