

## INVESTMENT UPDATE

Last month, in our client communications, we wrote “*Now, as we pass through the remaining weeks of the year and look ahead to the first half of 2021, we see many reasons for optimism ..... including:*

- *Over the next six to twelve months, many different types of vaccines and treatments will have completed clinical trials, and will be available for more wide-spread usage*
- *The election will be here in 26 days and, while it is possible that the Presidential results may be contested, we expect either President Trump or Vice-President Biden to take or maintain control of the oval office on January 20, 2021*
- *The outcome of the tight battle for control of the Senate will be known with either the Republicans retaining control or the Democrats taking the reins”.*

One month later, we have (1) a vaccine with a 90% rate of effectiveness, and no serious safety concerns observed, ready for distribution beginning this month (2) President-Elect Joseph Biden is expected to move into the oval office on January 20, 2021, with or without President Trump’s concession, and (3) while the Senate majority will not be finally decided until January, Republicans appear to have the edge for retaining the Senate majority.

The past month removed or diminished the cloud of uncertainty hovering over the financial markets leading up to the election, as evident in the strong “relief” rally beginning the day before the election. Less uncertainty allows everyone - businesses, families, organizations – to make more definitive plans.

We continue to view the stock market as the preferred asset class of choice in 2021 and future years. However, we expect periods of decline that may range from 5% to 10%, perhaps more, which is not uncommon. In the next 18 to 24 months we expect the economy to gather momentum and reach or exceed the level of GDP prior to the pandemic. Interest rates and budding inflation, while muted at present, will likely cause economic indigestion towards the end of this period, and be leading agitators of market volatility. Yet at present the economy and financial markets expect and may well require another significant stimulus package which is quite likely shortly after or before the Presidential change has been formalized.

Putting it all together, the relief rally stemming from the election is now over. Future volatility will now most likely be driven by the usual suspects of vaccine development, future stimulus, and the Fed. With an outlook for continued economic healing and balanced risks, we are maintaining our investment stance at neutral.

As always, please contact us if we may be of assistance or to discuss your account management.

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