

Index Name	QTD Return	YTD Return
Dow Jones Industrial Average	12.15%	9.72%
Barclays U.S. Aggregate Bond	0.67%	7.51%
S&P 500 (Large Co. index)	12.15%	18.40%
MSCI EAFE (Int'l Equity index)	16.05%	7.82%
Russell 2000 (Small Co. index)	31.37%	19.96%

Market Commentary

Virtually all markets rallied during the fourth quarter of 2020. Despite election drama, positive economic news coupled with the release of two COVID vaccines and their subsequent FDA emergency approval propelled equity markets higher.

The potential for additional protection from the virus along with expectations that swift distribution could improve prospects for normalization during 2021 led to a strong recovery in several beaten down sectors including the energy sector. Small capitalization stocks also rallied on expectations that the recovery would continue and COVID containment measures would gradually relax. Many value-oriented securities benefited from this trend as well, and value indexes surged higher late in the quarter.

Significant drama surrounding the U.S. Presidential election result was largely discounted by equity markets. Markets quickly shifted from the positives surrounding a potentially “pro-business” Trump win to the potential positives surrounding a Biden victory. Belief that a democratic administration would push for more aggressive fiscal stimulus coupled with a last minute stimulus package passed by the current administration buoyed U.S. equities and sent shares significantly higher.

The prospect for additional stimulus, the corresponding rising debt burden, and continued “easy money” commentary by the U.S. Federal Reserve bank weakened the dollar during the quarter. This dollar weakness coupled with the aforementioned vaccine results was enough to boost international developed and emerging markets further, benefiting globally-diversified portfolios.

While the drama continues and COVID containment measures remain with us, we believe that the prospects for 2021 remain positive. Earnings are expected to eclipse their 2019 high, ultimately resuming their upward trend on the back of cost reduction efforts and real sales growth. Economic recovery appears to be well under way. While we expect the pace of the recovery to slow, we believe it will remain positive and provide a solid environment for continued equity appreciation.

Market Highlights

- All major equity and fixed income markets rallied in Q4 to cap off a strong year.
- U.S. small cap stocks were the leading sub-asset class, with the Russell 2000 up 31.4%.
- Markets are expected to continue their positive trend into 2021.

Market commentary provided in partnership with Cornerstone Management, Inc.