



2020 Year in Review

There is little doubt that 2020 will go down in history as one of the most unusual years that we have experienced. The year began with the underpinnings of the economy appearing strong and a good deal of optimism relative to the markets, buoyed by strong performance in 2019. As we came into the year, forecasts were for solid earnings growth based on record low unemployment and a strong consumer. Although valuations were somewhat stretched after great returns in 2019, market expectations were for solid gains as returns aligned with earnings growth.

Soon, however, it became apparent the Coronavirus would not be contained and we were in the midst of a global pandemic, with the true impact of COVID-19 becoming clearer. Forced economic shutdowns shuttered many businesses, especially in travel, leisure, and entertainment, and in less than two months the unemployment rate skyrocketed from 3.5% to almost 15%. Equity markets dropped over 30% from their recent highs in a matter of weeks, while safe haven assets such as high-quality bonds reaped the benefits of investor uncertainty.

Market Returns	4 th Quarter 2020	Full Year 2020
S&P 500 Index	12.2%	18.4%
Russell 1000 Value Index	16.3%	2.8%
Russell 1000 Growth Index	11.4%	38.5%
Russell 2000 Index	31.4%	20.0%
Dow Jones US Real Estate Index	7.7%	-5.3%
MSCI EAFE (net) Index	16.1%	7.8%
MSCI Emerging Markets (net) Index	19.7%	18.3%
Bloomberg Barclay's US Aggregate Bond Index	0.7%	7.5%

Source: Zephyr StyleADVISOR

Before most investors could react, however, the market staged a surprising recovery that continued – with some volatility – through the end of 2020. This was unexpected, as second quarter GDP dropped over 30%, millions remained unemployed, and we began a contentious presidential election season. Vaccines were being developed, but their viability, and eventual availability, were still very much in question. As it now stands, the vaccine rollout has been far from optimal, and much of the country is still working under far from normal conditions. But, as the old adage says: “buy on the rumor, sell on the news” and the markets reacted as if the recovery path were much clearer than it is likely to be. Additionally, much of the optimism was, and continues to be, based on unprecedented fiscal and monetary stimulus from the government. Continued support in the form of fiscal stimulus will likely be necessary to the strength of the recovery.



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Brian is a member of CNB Wealth Management's Investment Committee, where he is responsible for providing the research and analysis necessary to oversee the firm's investment portfolios. Additionally, Brian coordinates the firm's due diligence process, which monitors and evaluates all existing and prospective investment managers.

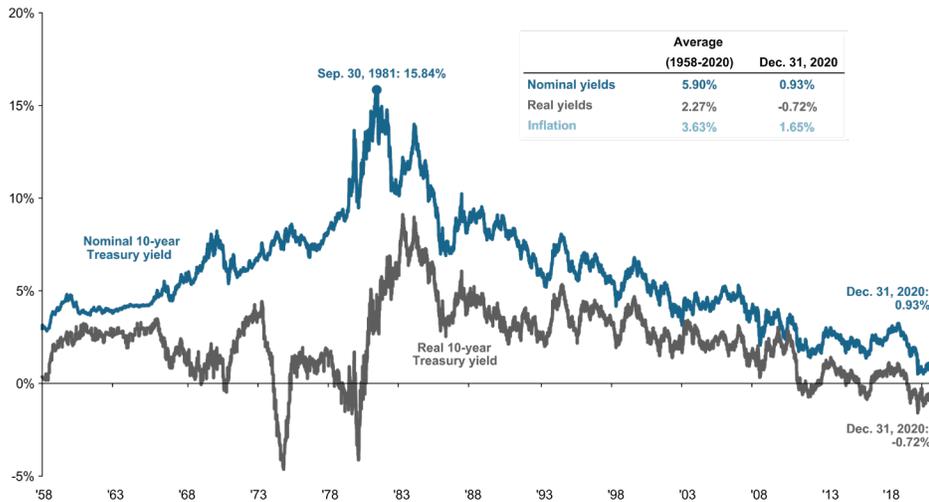
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2021 Looking Ahead

As we begin 2021, we do so with a change in political leadership in Washington. Near-term priorities for the new administration will be strengthening the vaccine rollout and additional fiscal stimulus for unemployed workers, hard-hit businesses, and other struggling areas of the economy. As longer-term objectives take shape, they will certainly impact the outlook for various sectors of the market, and headwinds, as well as opportunities, will reveal themselves.

If the vaccine distribution does gain momentum, and additional stimulus is added to the economy, it is possible that the more cyclical areas of the market, which lagged in the 2020 rebound, will return to favor. This shift began to show itself



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.

last quarter as value and small cap stocks outperformed larger growth-oriented firms. Continued recovery in GDP growth, some signs of inflation, and the eventual prospect for higher interest rates would all be supportive of that trend continuing. This rotation to more value oriented and small cap stocks could provide the next leg-up for equity markets.

Conversely, the same prospects for rates and inflation may constrain fixed income returns in the years to come. Still necessary as ballast in turbulent times, bond investors will need to either look at less traditional sources of income or accept lower returns as the price of safety.

Conclusion

Despite some unprecedented events, the market continued to provide patient investors with good returns throughout 2020. In the end, it provided a perfect example of why emotional, knee-jerk reactions to market volatility rarely benefit long-term investors. Although the path ahead will no doubt continue to be fraught with challenges, the eventual reopening of global economies will produce opportunities across many consumer driven industries. In addition, proposed stimulus from the new administration will likely put cash into the hands of businesses and investors, as well as potentially drive spending in areas such as infrastructure and green energy. While it is unclear what proposals will take shape in other areas like taxes, it is likely that broader, more controversial policy changes will need to wait until the economy is on better footing. In light of the surprises the market has brought forth in such challenging times, long-term investors are advised to stick to their financial plans and ensure they are still positioned to meet their goals.

As always, you can contact your Relationship Manager with any investment or financial planning questions you may have. Our knowledgeable and experienced team will work with you to ensure your plan stays on track to meet your goals, now and in the future.

2021 Shows

January 30 • March 27 • May 29 • July 31 • September 25 • November 27

1180 Ask the
WHAM Experts

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The show is broadcast on WHAM 1180 in the Western NY region, Saturdays at 8:00 pm.

Those who reside outside of the region can listen online at wham1180.com.

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