

FINANCIAL MARKET UPDATE

Global Markets initially struggled for direction in the lead-up to the US Presidential Election. However, once the uncertainty of the election outcome passed, markets began a rally strongly into year-end. This was further boosted by the development and deployment of viable vaccines, as well as the announcement of additional stimulus efforts in the US and abroad. Small and Mid-sized US stocks led the market in the 4th quarter, with returns of 31% and 24%, respectively. Emerging Markets and Developed International Equities posted strong gains of 19.7% and 16%. For the full year, US Large Cap Equities and Emerging Markets led all asset classes at 18.4% and 18.3%.

As we enter 2021, we are in the midst of record COVID-19 case levels and deaths in the US and abroad. Many countries are ramping up vaccination efforts. Moreover, additional fiscal and monetary support is being deployed to support the world economy.

Asset Class	2020 Returns
US Large Cap	18.4%
Emerging Markets	18.3%
US Mid Cap	13.7%
US Small Cap	11.3%
Developed International	7.8%
Core Bonds	5.6%
Non-Core Bonds	4.8%
Infrastructure	-6.5%
Real Estate	-8.7%

ECONOMIC STIMULUS RESPONSE

The Federal Reserve has continued their unprecedented economic support and their most recent meeting minutes show consensus on maintaining this support for the foreseeable future. Federal Reserve officials agreed that they would telegraph any reductions in aid well in advance to the public to avoid any shocks to the system.

Congress remained in a stalemate for much of the 4th quarter until achieving a bipartisan breakthrough with the Consolidated Appropriations Act of 2021. This \$900B fiscal aid package will provide additional direct aid payments to individuals, further supplemental

unemployment benefits through mid-March, and re-up the funding for business aid through the Paycheck Protection Program, among other items.

EMPLOYMENT

The unemployment situation improved marginally in October and November as the rate fell to 6.7%. However, in December, slowing momentum in the labor market due to rising COVID-19 cases and the associated public health restrictions began to show through. The US economy shed 140,000 jobs for its first month of job losses since April. Much of these losses were concentrated in the restaurant and hotels industries. Nonetheless, retail, professional service, and construction industries showed job gains.

US ECONOMY

In contrast to the historically poor 2nd quarter GDP reading, 3rd quarter GDP grew at a record pace of 33.4%, as economic reopenings and pandemic relief fuel growth. A resurgence in COVID-19 caseloads in the 4th quarter has led to a cooling of economic activity, as state-level health restrictions have been reimposed. The recently passed \$900B relief bill and continued vaccination efforts are expected to allow activity to return to a more normal environment later this year.

LOOKING OUT

- President-Elect Joe Biden will take office with his inauguration on Wednesday, January 20th. Many industry experts expect his agenda to focus on a more centralized pandemic approach, additional economic stimulus, a comprehensive infrastructure plan and tax reform for corporations and higher earning individuals.
- With the Senate at 50/50 (with tiebreak vote going to Democrats), and recent events in the US capital, a higher level of cooperation and compromise among political parties is likely to temper radical legislative efforts.
- Most states are facing record COVID-19 cases and deaths and will continue to have health resources stretched in the short-term.

Our team continues to meet regularly and we are closely monitoring the current environment and implications for our client's portfolios. If you have any questions or concerns please do not hesitate to contact us.