

January
2021

PRATT WEALTH

— MANAGEMENT —

Moving Forward

At last we bid farewell to 2020; a tumultuous year of unbelievable events and unprecedented circumstances. Despite abundant challenges, global financial markets continued their march forward, aided by government stimulus and coupled with growing optimism about the post-Covid-19 future. We closed the year with all major market indexes in positive territory and many at or near all-time highs.

Apart from the notable jump in the markets in November, it was a relatively quiet quarter for investments. Stocks started and ended October in nearly the same spot and moved relatively little during December. Fixed income investments enjoyed a calm quarter as well, rising just slightly to cap off a strong year for the broader bond index (Barclays Agg). Meanwhile international stocks rallied and outpaced all the major US indexes during the final three months of the year, though they still lagged for 2020 as a whole.

From a broad perspective, we seem to have reached a point where there may be more good news than bad. The US election is behind us. Vaccines look to be more effective than anyone expected and two have cleared FDA approval and begun distribution. Jobs and confidence are holding up surprisingly well and will be further buoyed by the spending bill signed into law a few days ago. That bill seeks to provide aid in several ways; including direct relief payments of up to \$600 to individuals and extended unemployment benefits that will provide an additional \$300/week until March 14, 2021. A new round of Paycheck Protection Program loans will also be available and impacted businesses will be able to apply for a second loan.

While there is cause of optimism, we are not “out of the woods” yet. Covid-19’s third wave continues to worsen and may be further impacted by holiday travel. The vaccine roll-out has not gone as smoothly as originally hoped and supply constraints will limit the number of doses available for some time. Many businesses and families are still reeling from the economic challenges and the newly passed relief act, while helpful, is too little and too late for many of those that have been most drastically impacted.

From an investing standpoint, the outlook is surprisingly positive. The growth in 2020 was extremely concentrated with the five largest companies in the S&P500 generating 127% of the index’s return during the first nine months of the year! That concentration has begun to wane and likely will further as the economy continues to emerge from its downturn. The low interest rates have led to a lot of cash on the sidelines; coupled with massive pent-up demand, we could see the market pushed higher as funds rotate back into the sectors that have not yet recovered. That said, the large movement in the market as we write this today (1/4/21) is a reminder that market volatility is ever present.

As always, please let us know of any questions or concerns. We are available to meet in-person, via Zoom, or on the phone.

The Pratt Wealth Management Team

Market Update

A quick glimpse at the market for the fourth quarter and year of 2020:

	Q4	YTD
DOW	+10.73%	+9.72%
NASDAQ	+15.63%	+44.92%
S&P 500	+12.15%	+18.40%
MSCI EAFE	+16.05%	+7.82%
Barclays Agg	+0.67%	+7.51%

Tax Documents

As in past years, 1099s from non-retirement accounts will not be mailed out until late February. Please schedule tax appointments accordingly.

RMDs Return

Required minimum distributions must be taken once again in 2021 for all IRA holders age 72 or over. If the income is not needed, it can be removed from the IRA and reinvested, or to avoid taxation, directed to a charity.

IRA Deadline in April

The deadline for making 2020 IRA and Roth contributions is once again April 15th. Please make sure all checks are delivered to our office by April 10th to ensure they can be deposited in time.

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Statements regarding stock market returns refer to the S&P 500 index and bond index returns refer to Barclays Aggregate Index.

S&P 500: The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks.

The Barclays US Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market

The Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australia and the Far East.

DJIA- A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials including stocks that trade on the New York Stock Exchange
Nasdaq- A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.