the WealthWATCH℠

Look Back 2020 - Look Ahead 2021

by Jerry Herman, CFA®

What a year - 2020! The market achieved record highs near year-end despite a collection of intertwined seismic events during the period - the worst global pandemic in a century, resulting in profound changes in our way of life, massive reactive policy shifts, presidential election controversy, “warp-speed” medical innovations, the most rapid materialization of a bear market on record, and among the largest and most rapid market recoveries in history. Yet, with recent development and distribution of vaccines, accommodative and stimulative policies around the globe, and the likelihood of a divided US government; there looks to be light at the end of the tunnel and the prospects for global economic recovery appear to be on the upswing setting the stage for a constructive and hopefully more normal 2021.

While the market ended up for the year, 2020 was marked with intense volatility. Reacting to the most profound health crisis in a century, the year featured the onslaught of the most rapid “bear market” (decline of 20% or more) on record. Blackrock research sites that in just 23 trading days following the market hitting new highs on February 19, the S&P 500 declined 34%! In March alone the market was up or down more than 4% eight separate times! In comparison there were only 6 such days in 1929 during the Great Depression; and the annual average of plus or minus 4% days over the past 90 years is just 3.2 days. From its lows the market rallied some 65% to new highs, and by year end the S&P 500 was up about 18.4%, well above historical average of about 11%. The US Bond market (Bloomberg Barclays US Aggregate Bond Index) was up 7.5% (though November), and well above underlying prevailing interest rates. A typical 60/40 portfolio generated a very solid 14% return.

Looking into 2021, challenges remain but there are reasons for optimism. The number of Covid cases had been trending higher – again triggering lockdowns; but vaccine deliveries have begun, a second round of stimulus has been put in place; and policies should remain supportive of growth. These conditions suggest an economic re-start as a solid base-case, although a traditional business cycle analysis does not apply in the wake of the Covid shock, which is more akin to a natural disaster. The pace of recovery will be driven by what Vanguard terms the immunity gap, which is the percentage of the population lacking immunity - and the reluctance gap, which is the percentage of the population reluctant to engage in economic activity. Beyond these near term issues the pandemic is expected to impact mega trends – like health and technology innovation, digitization, productivity, globalization (some terming it as “slowbalization”), and sustainability.

More specifically, conditions for equities are favorable with opportunities in Small-cap companies, selected cyclicals and emerging markets. A willingness for central banks to let economies “run hot” suggests higher growth, and with it the potential for inflation. Meanwhile, aggressiveness on the policy front leaves less “dry powder” for reaction to other unforeseen crises. On the fixed income side, with interest rates and yields at the low-end of a realistic range, and recent bond returns above prevailing interest rates, it’s hard to see bonds sustaining the performance achieved in 2019 and 2020. Bonds are more likely to earn returns close to their current yield levels.

With this backdrop, investors are encouraged to review their portfolios to insure allocations are aligned with goals, objectives, and risk-tolerance. Attention should also be given to sector, style, and geographic opportunities in equities and the size and role of fixed income positions. Finally, and perhaps above all, there is hope that the human condition will improve in 2021.

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LINEWEAVER financial group

MEET OUR NEW SPECIALISTS

by Jim Lineweaver, CFP®, AIF® President and Founder

As the Lineweaver Family of companies continues to grow in 2021, we've added more specialists and strategic alliances help our clients plan for a successful retirement. I wanted to take a moment and introduce them to all of you. Hopefully, you'll get to know them better over the coming year.

Ryan C. Sowards
Financial Advisor

Ryan began his career in 2004 as a Financial Advisor with Edward Jones. Ryan holds a B.A. degree from Stephen F. Austin State University in Nacogdoches, TX, and holds his Series 7, 63, 66, and life and health insurance licenses. Ryan is committed to helping his clients achieve their financial goals by understanding their needs, offering thorough and thoughtful investment advice, and providing a high level of personal service and communication. He provides a wide range of financial services, including retirement planning, strategic asset allocation and portfolio management, insurance, long-term care protection and hosts investment seminars and lectures for businesses and civic groups.

He and his wife Lindsay reside in Shaker Heights, along with their son John Allan and daughter Vivian.

Fran Anello
Director of Retirement Plan Services

Fran Anello is our Director of Retirement Plan Services and will be assisting our current and future 401(k) clients.

Fran joined us from Charles Schwab and has 23 years of experience working with executive teams and investment committees in the retirement plan space. He received his bachelor's degree from Cleveland State in Economics, holds his series 7, 63, and his Ohio Life Insurance license.

Fran is an avid car enthusiast, collects Japanese Koi, and enjoys hiking and other outdoor activities. Fran and his wife Lisa have 4 daughters and reside in Medina Ohio.

HEALTHWATCH

As the new year rolls in, many might be thinking about being a healthier version of themselves. Here are some of the many benefits of having a healthy diet:

1. Heart Health
According to the AHA, American Heart Association, half of all adults living in the U.S. have some form of cardiovascular disease. By eating foods that are high in fiber, you can help improve cholesterol and can help reduce risk of heart disease, stroke, and type 2 diabetes.

2. Better Mood
There is evidence to suggest that there is a close relationship between the food we eat and the moods we experience. Some researchers found that diets with a high hypoglycemic load can even trigger increased symptoms of depression.

3. Improved Gut Health
A diet that is rich in vegetables, fruits, and whole grains can help the good bacteria thrive in the colon. Eating foods such as yogurt, kimchi, and sauerkraut are rich in probiotics to help promote a healthy colon.

4. Improve Memory
A healthy diet can even help you maintain cognition and brain health! Some nutrients that can help protect against cognitive decline and dementia include vitamin D, vitamin C, and vitamin E.

5. Strong Bones and Teeth
Eating foods that have adequate amounts of calcium and magnesium is important to keep your bones and teeth strong. Foods that are rich in calcium include broccoli, cauliflower, cabbage and low fat dairy products. Magnesium can also be found in an abundance of foods, some of the best sources include leafy green vegetables, nuts, seeds, and whole grains.

6. Good Night's Sleep
Our diet can play a large part in other body functions. While many things can disrupt sleep patterns, reducing alcohol and caffeine intake can help a person gain restful sleep.

https://www.medicalnewstoday.com/articles/322268#better-sleep

ECONOMIC COMMENTARY

We have entered a new investment order.

The Covid-19 pandemic has accelerated profound shifts in how economies and societies operate. We see transformations across sustainability, inequality, geopolitics and macro policy. This is reflected in our 2021 investment themes: The New Nominal, Globalization Rewired, and Turbocharged Transformations. The new investment order is still evolving, and investors will need to adapt. Yet the features are becoming clear, and we believe this calls for a fundamental rethink of portfolio allocations – starting now.

The New Nominal

We see stronger growth and lower real yields ahead as the vaccine-led restart accelerates and central banks limit the rise of nominal yields – even as inflation expectations climb. Inflation will have different implications to the past.

Strategic implication: We underweight government bonds and see equities supported by falling real rates.

Tactical implication: Our low rate outlook keeps us pro-risk. We like U.S. equities and prefer high yield for income.

Globalization Rewired

Covid-19 has accelerated geopolitical transformations such as a bipolar U.S.-China world order and a remaking of global supply chains – placing greater weight on resilience and less on efficiency.

Strategic implication: We favor deliberate country diversification and above-benchmark China exposures.

Tactical implication: We like EM equities, especially Asia ex-Japan, and are underweight Europe and Japan.

Turbocharged Transformations

The pandemic has added fuel to pre-existing structural trends such as an increased focus on sustainability, rising inequality within and across nations, and the dominance of e-commerce at the expense of traditional retail.

Strategic implication: We prefer sustainable assets amid a growing societal preference for sustainability.

Tactical implication: We take a barbell approach, favoring tech and healthcare as well as selected cyclical exposures.

Source: Blackrock 2021 Global Outlook. January, 2021.

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Trivia:

On January 7, 1789 the first presidential election was held. Congress set the date by which states are required to choose electors for the country's first election. On February 4th, George Washington was elected, and was officially sworn into office on April 30, 1789.

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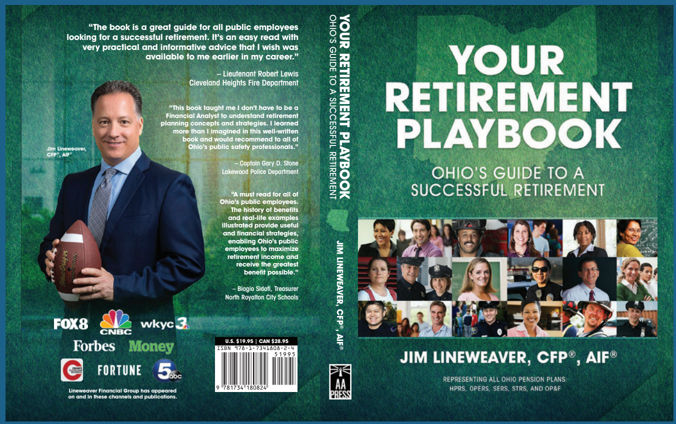

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