MARKSGROUP WEALTH MANAGEMENT

PERSPECTIVES & OUTLOOK

December 2020

Stimulus Deal Inching Closer to Reality

Hope remains that Congress will agree to a second major stimulus deal before year-end, but further delays are unlikely to shock financial markets, which have displayed incredible patience so far. Worst-case scenario, we expect agreement no later than February.

The Power of the Printing Press

The Federal Reserve's commitment to flood the financial system with liquidity has been a game-changer for investor sentiment and equity valuations. If signs of market weakness re-emerge, the Fed will surely do even more to support asset prices.

Balance of Political Power Still Up in the Air

While we know the Presidency will be changing hands on Jan. 20, control of the US Senate will be determined in Jan. 5 runoff elections in Georgia. A Republican-controlled Senate is most likely, and would be the outcome financial markets prefer.

Dollar Weakness Likely to Persist

Exceptionally loose monetary policy from the Fed and government deficit spending represent new normals for the US economy. We expect these trends to persist. That could mean a weaker dollar for the foreseeable future, a big benefit for International equities.

Cyclical Stocks Are Back in Demand

After lagging all year, Value stocks and cyclical companies have outperformed Growth since late October. It's a sign investors are more confident in a broader economic recovery, but we still favor stocks that offer above-average earnings growth.

Gold Remains an Attractive Diversifier

Investors need not be bearish on equities to have a positive outlook on gold, which serves as an appropriate diversifier and a hedge against eventual inflation. With prices down 10% from their early August highs, we still consider gold attractive.

Resist the Urge to Reach for Yield

Despite interest rates being near all-time lows, reaching for yield rarely pays off. Be it lower quality bonds, longer durations, or distressed equities with big dividends, more yield comes with risk. In our experience, focusing on total return remains the best bet.

Big Tech Has Never Been Bigger

The S&P 500 has never been more top-heavy. Apple, Microsoft, Amazon, Facebook, and Alphabet make up nearly 22% of the benchmark index. Investors should be mindful that index performance is heavily driven by those five stocks.