BROKERAGESELECT NEWSLETTER

Taxes

The Cares Act enacted in early 2020 allows taxpayers who do not itemize to deduct up to $300 in charitable contributions made in cash. The deduction is "above the line" which means that it will reduce "adjusted gross income" and "taxable income".

More Taxes

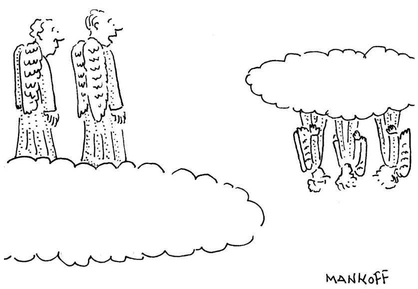
The Cares Act, as part of COVID relief, provides for a range of additional deductions. These include charitable contributions, child care credits and medical deductions. Stimulus checks and other items may make your 2020 return tricky. Make sure you consult a tax advisor.

Bank Referrals

Banks and credit card companies often offer cash rewards for referring customers. Referral compensation not tied to spending is taxable and the bank may issue you a 1099.

Perspectives

The cartoon this month honors the lonely life of a contrarian investor. There are many flavors of investors. Some follow momentum. Some are broad asset allocators. Some are short-term traders. There are a lot of ways to make money in the market. There is no one answer. Even further, different strategies can be effective at different times. Contrarians take positions that go against the prevailing conventional wisdom and need to be patient while all the current news flow and market prices are telling them that they are wrong. The negatives are what interests contrarians. The foundational principle that can make money for contrarians is that the news is so bad and prices are so low that they are buying assets really cheap and eventually times will change and these assets will appreciate. Buying cheap gives them a "margin of safety" such that even if conditions get worse they will not lose a lot of money. In March 2020, the world looked pretty grim. The stock market and parts of the bond market experienced a sharp deep bear market in just a matter of weeks. Market declines like this are instances when contrarians place their bets. It took nine months and a vaccine to be developed but those bets paid off. During times of market stress it's important to keep perspective. The world doesn't end very often. To continue the phrase, the saying goes, "…and if you bet against it there won't be anyone to collect from anyway." For a contrarian philosophy to work, an investor needs to have cash in order to buy when everyone else is selling. Believing in the optionality and benefits of holding cash also makes life tough for contrarians. When the market is moving up, holding cash hurts performance. The old saying, "Everything in moderation" probably applies to investing as well. An investor needs to be in the market to ride the long-run uptrend but also should keep some cash to be in a position to be a contrarian and not be afraid to take a position when the opportunity presents itself. Acting as a contrarian doesn't only apply to market bottoms. Even more challenging than buying low, is selling when things look the best. Market trends end. Stocks get over-valued. A



"Oh, them. They're contrarians."

Something Else

I am a person who loves bookstores. To me there is a certain romance to books and rows of bookshelves. There are famous stores like Shakespeare & Co. in Paris that every young American tourist and student makes a pilgrimage to, seeking a life experience that links us to a tradition from an earlier, less complicated time. Shakespeare and other iconic bookstores have been hard it by COVID and the lack of travel. These famous shops are having problems, the local store in your town is likely in trouble. Consider buying a book from your local bookstore.

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prudent investor needs to be willing to take money off the table when everyone is bullish and wait until assets get cheap again. Corrections happen relatively frequently and bear markets, while less frequent, seemingly come out of nowhere.

Out Of The Box

When you read the market news, you see a lot about the meteoric rise in stocks like Tesla, the FAANGs and the wave of SPACs (Special Purpose Acquisition Companies). What US investors may be missing is that there are parts of the global markets that are also doing extremely well. The Japanese Stock market peaked at the end of 1989 with the Nikkei 225 Index at almost 39,000. This market, 31 years later, has yet to reach that level. On Friday the Nikkei was 29,520. Interesting to note, over the past year (which includes COVID) the Japanese index is up 24%. This has quietly out-paced the S&P500's 19% gain. Unlike the US market, Japan is still below its all-time high. A lot of news stories are negative on Europe. There are good reasons. COVID has been bad, the vaccine efforts are poor and Brexit has created a lot of rancor. Despite all this, the iShares MSCI Eurozone ETF (EZU) is up 11% over the past 12-months and is close to breaking its all-time high set in 2018. Emerging markets have underperformed the US in recent years but they have had a stellar year. The iShares MSCI Emerging Markets ETF (EEM) increased 32% over the past year. The weighted average price-to-earnings ratio of the EEM is about 20. The P/E of the S&P500 is 27. Even domestically, small-caps were left for dead but over the last 52-weeks were up 38%, are now making new highs and have a market multiple less than US large-caps. In a market that has had a tremendous run from the March COVID low, global and sector diversification may be a sound way to manage risk. Since the recovery began after 2009, in certain circles "diversification" itself has gotten a bad rap as the S&P500, led by the FAANGs consistently outperformed just about everything else. I wouldn't discount the power of diversification to protect one's portfolio. Not everything changes.
