

BROKERAGESELECT NEWSLETTER

Taxes

Time to start collecting the W-2s, 1099s and tallying up your deductions. There are some changes enacted by COVID relief that might help so consult your tax professional.

Financial Plan

COVID has brought tremendous change to families in many different ways. It's important to adjust your financial plan to reflect your new reality. One concern some may have is what to do if you sold near the bottom and did not get back in. It's important to forget the past and get your plan back on track. It's never too late.

Pet Insurance

Policies covering health insurance for your pets are becoming more popular. These policies can save owners money but as with everything it's important to read the fine print. There are deductibles and coverage caps.

Perspectives

As we say good-bye to 2020, despite all the turmoil and pain, the markets proved to be resilient beyond most people's imagination. While debate should be had about the effectiveness and fairness of its distribution, there is little doubt that the massive monetary and fiscal government response gave tremendous lift to financial assets. At first, the rally off the bottom was led by the FAANGs. Then, as vaccines were approved, the rally broadened out to include not only beaten down travel related stocks but also economically sensitive shares of industrials, financials and energy. Now we are in earnings season waiting for the results from the 4th quarter. The set up going into earnings is not great. Stocks across the board have run up, potentially pricing in a lot of future good news. Case in point are the financial stocks which had explosive up moves in November and December. When the big banks reported last week, their stock prices dropped. I'm not saying the rally is over but investors need to be careful when buying stocks after big moves into events like Earnings Season. It would be very reasonable for stocks to have a cooling off period as The Street assesses how much of the opening-up prospects are already reflected in stock prices. Many stocks are higher than they were before COVID hit. Wall Street seems comfortable with President Biden's choice of Janet Yellen as Treasury Secretary. She's a known quantity and is generally viewed as even-keeled. Many think of her as an easy-money economist but I'm not convinced. She did raise rates while she was Chair of the Federal Reserve. With her respected counterpart, Jay Powell at the Fed, it looks like accommodative monetary policy will stay for a prolonged time. This should be a tail wind for stock prices. As the new Congress convenes a lot of back and forth will happen over the size and scope of Biden's relief package. The initial \$1.9 trillion proposal is likely to be reduced. This too could impact the markets. The economy, despite the vaccine optimism, is still a ways away from returning to normal.



"It's nice but will it be a hedge against inflation?"

Something Else

It's still winter but the days are beginning to get just a bit longer and with COVID vaccines being distributed, there is a hint that spring will come. While we wait, a fun project is to order and start seeds for the garden. Starting from seeds can save money, especially for expensive pre-grown plants. There are lots of seed purveyors and YouTube videos to help. In addition to flowers, don't forget vegetables and small fruit like strawberries. I'm in the market for some rhubarb plants.

BrokerageSelect is a boutique securities broker-dealer that sets itself apart by providing expert knowledge and dedicated service to our clients.

BrokerageSelect
364 West 117th Street Suite 5A
New York, NY 10026
877-301-1550 (v)
www.BrokerageSelect.com

www.finra.org www.sipc.org

Out Of The Box

The ultra-low level of interest rates that have been around since global central banks initiated quantitative easing has been a major force in driving asset prices higher, especially the prices of companies with future prospects but no current earnings. Like zero-coupon bonds with payouts only at maturity, speculative companies have no positive cash flows until way into the future. The mathematics of discounting cash flows dictate that moves in interest rates impact these assets much more than regular coupon bonds and stocks that pay steady or high dividends. This is one significant reason we see meteoric rises in the likes of the electric vehicle companies, new e-commerce firms and to a fair extent, the FAANGs. If rate declines helped fuel the speculation, will a rise in interest rates derail the rally. It's dangerous to make predictions based on one metric as there are so many factors that go into asset pricing. Having said that, all things being equal, a rise in rates could very well cause a reset in the way market views these stocks. COVID caused supply disruptions across the economy. It will take time for firms to increase the supply of goods and services. Initially, demand will rise faster than supply. We are already starting to see a rise in goods prices from semiconductors to corn. Inflation levels as implied from 10-year Treasury inflation-protected bonds went from 1.74% at January 1, 2020 to 0.50% at the bottom in March and now sit at 2.10%. While the Fed has firmly anchored short-term rates near zero, interest rates on 10-year and 30-year bonds have responded to the hint of inflation by rising 0.58% and 0.86%, respectively from their 2020 lows. This represents an approximate doubling of rates from the bottom. Important questions for investors will be how much further will rates rise? Will the Fed intervene to keep a lid on rates? If so, at what level will the Fed act? I don't have the answers. Jeffrey Gundlach, who has been named the "New Bond King", in an interview on CNBC thinks the Fed will let 10-year rates run up closer to 2.50%, maybe 3% before acting. I'm not sure anyone really knows but investors need to add this to the already long list of information inputs. After the big run-up in stock prices, a pop in rates could cause a correction.

This newsletter is for informational and educational purposes. The thoughts expressed are not specific recommendations. Readers should consult their financial, legal and/or tax advisor(s) before making investment decisions. Before purchasing a mutual fund, investors should read the fund's prospectus. Investors should understand the risks before purchasing an investment. BrokerageSelect only conducts business in jurisdictions where it is registered to do so.