



My Views from Wall St. to Center St.

“We have always held to the hope, the belief, the conviction that there is a better life, a better world, beyond the horizon.” ~ Franklin D. Roosevelt

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A year ago almost to the day I was writing about COVID-19, shutting down the economy, a “bear market” with downside velocity we had never seen, and an uncertain future of how or when things would improve. That was followed up with my letter in the fall about the upcoming election and how different outcomes might affect markets, the economy, and our lives in general.

So fast forward to now. Here’s what has happened:

- The stock market (S&P 500) is up over 80% since March 23, 2020 through 3/31/21
Source: YahooFinance.com
- Donald Trump became a 1 term president as Joe Biden was elected the 46th president of the United States
- The stock market since the election is up over 20% (11/3/20 thru 3/31/21) *Source: YahooFinance.com*
- 12/14/2020 – The first public COVID-19 vaccines were administered
 - Market up 8.1% through 3/31/2021
- Democrats effectively took control of the U.S. Senate by winning both seats in Georgia on 1/5/21 in two run-off races to decide the outcome that could be determined in November. Of note, Sen. Raphael Warnock is the first black senator from Georgia and Jon Ossoff is the first Jewish senator from the state.
 - Market up 7.4% from 1/5/2021 through 3/31/2021
- On 1/6/21 a Pro-Trump group protesting the election process and results broke through security barriers, scaled the congressional walls, and forced their way into the Halls of Congress. Senate and Congressional leaders were forced to evacuate. Several protesters and law enforcement officers were killed. For me it was one of the saddest days in American History. I don’t care what your political persuasions are, it was an awful sight to see. One in which I never thought I would witness in this country and hope I never do again.
 - Market up for the day nearly 1%

- 1/20/2021 - Joe Biden and Kamala Harris are sworn in as President and Vice President. Harris became the first woman, and black person to become Vice President.
 - Market up 4% through 3/31/21
- 3/11/2021 – President Biden signs \$1.9 trillion stimulus bill
 - Market up nearly 1.5% through 3/31/21
- 4/1/2021 – Over 56 million Americans are fully vaccinated. Almost 100 million have had at least one dose. *Source: OurWorldinData.com*
- So, a lot has happened in the last 12 months. I believe that our world has changed forever and many people I talk to believe that change is not for the good. I am not in that camp. I believe that change is inevitable (evolve or die) and the world is always changing and I'm very excited to be alive and witness the change. I will not in this writing get into the weeds too deeply on the politically surreal climate (pun intended), but I do believe we have some serious issues that my generation has created or at least expanded and we "owe" it to our kids and grandkids to at least help them address these issues before we die and leave it to them to solve. I know we (Baby Boomers and Gen Xers) like to say/believe that Millennials and Gen Zers are soft, just want it easy – free ride, etc..... But the truth is our generation has been "in charge" for the past 40(+) years. We raised the Generation(s) we are now criticizing and believe they can't fix the problem. Maybe they can, maybe they can't, but we need to provide guidance and help find solutions.

My Dad always told me, "If you make your place in the world a little better than it was before you got there, then you have been successful." Smart people can disagree on how to achieve a common goal(s), but we owe to our children and grandchildren to be part of the solution!

Thoughts on Markets – Past, Present, Future

- Looking at where we have come from over the past 12 months is quite remarkable. The S&P 500 is up an astounding 80% on a year over year basis. Keep in mind it lost 40% from 2/19/20 through 3/23/20. It is a little shocking to see markets reach current levels so shortly after a whopping 30% decline in GDP in Q2 of 2020. The reasons for the recovery are obvious now – A swift government response (yes, I used the swift word to describe government) injected \$2.2 trillion directly into the hands of individuals and business. It was a lifeline to many at the same time the economy was shutting down. The fed came to the rescue as well by effectively taking interest rates to zero, buying all sorts of financial assets, and promising to continue this policy for as long as it takes to get the economy on solid footing.

Technology also made it possible for many businesses to continue at a high level of efficiency and production. I cannot tell you how many zoom calls I have been on in the last 12 months. It is really remarkable how well we were able to conduct our business remotely and to this day with the use of technology. We are small scale, but this technology is large scale in businesses throughout the world and makes companies more efficient and more profitable.

But, it does not help people in industries such as restaurants, airlines, hotels, etc. These businesses and people who work in those businesses are still suffering and unemployment will remain a persistent problem for the foreseeable future.

The S&P 500 was up over 5.5% for the quarter, but we saw increased volatility throughout the 90 days. Fears of inflation driven the yield on the 10 Year Treasury up to over 1.6%. It started the year at about .7%. That is a big increase, even though interest rates are still very low. And of course, the virus has not gone away. Reopenings are happening, but with choppiness in areas. Those are the headwinds the market faces (at least a few).

I believe going forward through this year the market will move higher. For now, I believe the tailwinds are stronger than the headwinds. I will discuss in the next section how I have portfolios generally positioned. But, I do believe the tailwinds – more stimulus money, infrastructure spending, fed promising to keep rates lower longer, economy opening back up, are stronger than the headwinds, hence the probability is the market will move higher.

Portfolio Construction & Introduction to New Protection & Participation Investments

Some of you may have noticed adjustments to your portfolios in February and March. Some of this is just normal rebalancing to the baseline % of certain assets, but we also have made adjustments to reflect opportunities to invest in New Economy Portfolios as well as old school dividend/value plays as the market has done a bit of a rotation away from the FAANG stocks at least temporarily. I'm also researching the use of Bitcoin (Cryptocurrency) in portfolios (a small sliver - 2.5%) in traditional 60/40 portfolios. "Innovative destruction leads to creative destruction." The results are astoundingly good...increasing return without increasing volatility. A few clients have already added it to their portfolios. We will discuss at your next review or contact me after you read this to see if it makes sense for your portfolio.

We also have access now to an exciting new investment that until now was only available to ultra-wealthy individuals. It is a defined Protection & Participation Investment that limits downside, but still provides growth opportunities. It gives alternatives to improving returns in a zero interest rate environment while limiting risk. If you have not discussed this with me yet please contact me to see if it is something that would benefit your portfolio.

Personal Notes:

While we have all had our struggles and challenges this past twelve months with COVID-19, I think it is important for you all to know (and many already do) that Jennifer and I separated 3 years ago and our divorce will be final by the time you read this. It has been a challenging and difficult time for my family, especially my children and my youngest Julianna especially. We were married for nearly 30 years and we have lots of great moments, memories to look back on. Our marriage, like most, was complicated and so was our divorce. So, please say a prayer not for me, but for my family.

I am humbled as always to be your trusted advisor.

Thank you,

Jeff

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