

2020 Market and Economic Review

SAGE

CAPITAL ADVISORS, LLC.

2020 A Year We Won't Forget!?!

I don't have the words that adequately describe what we witnessed in 2020. We started the year with the most robust economy in history. Interest rates were climbing back to reasonable levels from historically low levels and a person was still paid interest in their savings account.

And then the Covid-19 Pandemic hit; before we understood exactly what we were dealing with the entire US economy was shutdown. One of many notable moments we experienced last year.

As we started the year there was strong underlying optimism of continued economic growth. Unemployment was at historically low levels, and consumer confidence was high.

This was taking place amid a trade war with China and an upcoming political election.

Upon shutting down the economy; we quickly learned how the country had changed. The "Work from Home Economy", emerged. Creating huge demand for home fitness equipment, online conferences, and home improvement industries.

We also witnessed several states, notably CA and NY continue to clamp down on certain industries, and at times seemingly with the use of very little science and a great deal of hypocrisy. It is still too early to tell how much damage may have been done to the restaurant industry; a major employer in our country.

Yet who can tell, we also experienced a much greater sense of community across the nation. We witnessed new industries and jobs created through both a sense of need and to assist others with the "new normal". Perhaps we will look back at this as the next stage in economic advancement.

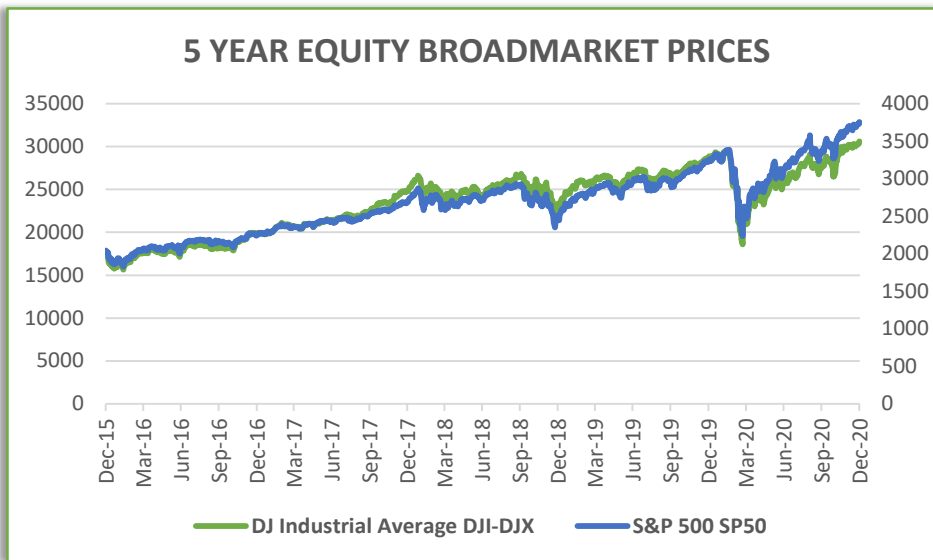
We will let you know what we find throughout the year.

May you have a happy, HEALTHY, and prosperous 2021,

Matt A. Johnson, CFA

EQUITY MARKETS

While markets were volatile to say the least; when the pandemic struck, we were coming from a strong foundation. The quick recovery was likely a combination of several things; low interest rates, strong stimulus, and a weakening US Dollar. Barring any major fiscal changes, we would expect those same influences moving into 2021.



The swift recovery can partly be explained by the fast stimulus, and markets pricing forward 6 – 12 months out. Ultimately, we feel earnings will decide the true nature of the bounce back. Currently we are trading at lofty expectations.

RETURN(%)

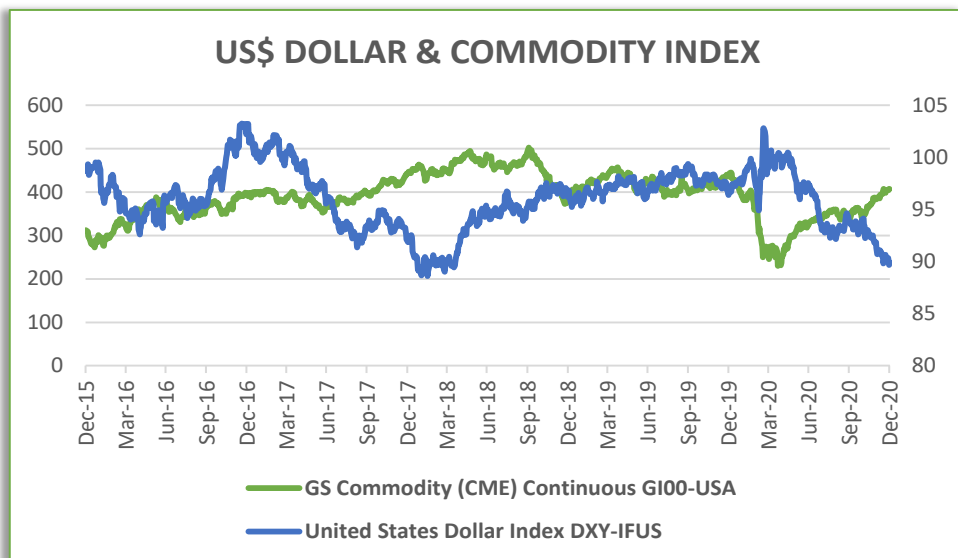
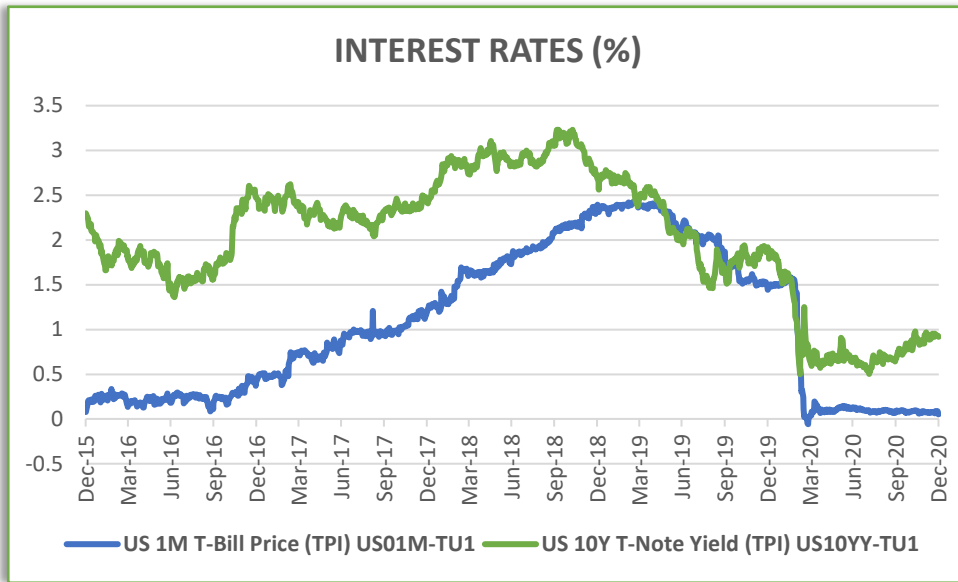
		Last Month 12/31/2020	Last Quarter 12/31/2020	Last Year 12/31/2020
S&P 500	SP50	3.71	11.69	16.26
Dow Jones Industrial Average	DJI-DJX	3.27	10.17	7.25

P/E RATIO

		Current 12/31/2020	Last Month 11/30/2020	Last Quarter 9/30/2020	Last Year 12/31/2019	5YR AVG
S&P 500	SP50	22.70	22.33	21.99	18.34	17.79
Dow Jones Industrial Average	DJI-DJX	20.76	20.58	20.30	16.90	16.68

INTEREST RATES AND THE US\$ DOLLAR

While the yield on short-term cash funds is hovering near zero, there has been recent advances in the yield on the 10Yr Treasury. A portion of this move is likely due to the recent lows in the US Dollars as the increase in the money supply has very likely diluted value.



Commodity markets have also been strong in large part due to the weakening US\$ Dollar, as all commodities are traded in \$'s.

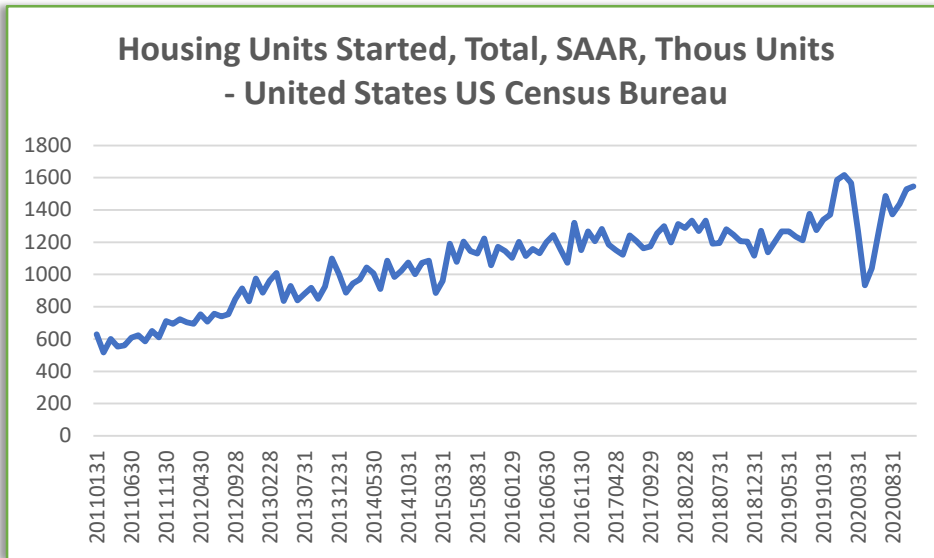
ECONOMIC REVIEW

It's difficult to be bearish given the positive trends in the broad economic landscape. Certainly, there are sectors under far greater pressure than others namely the restaurant industry, fitness centers and large entertainment venues. However, several others; have witnessed an uptick in demand as the new "Stay at Home Economy" has emerged.

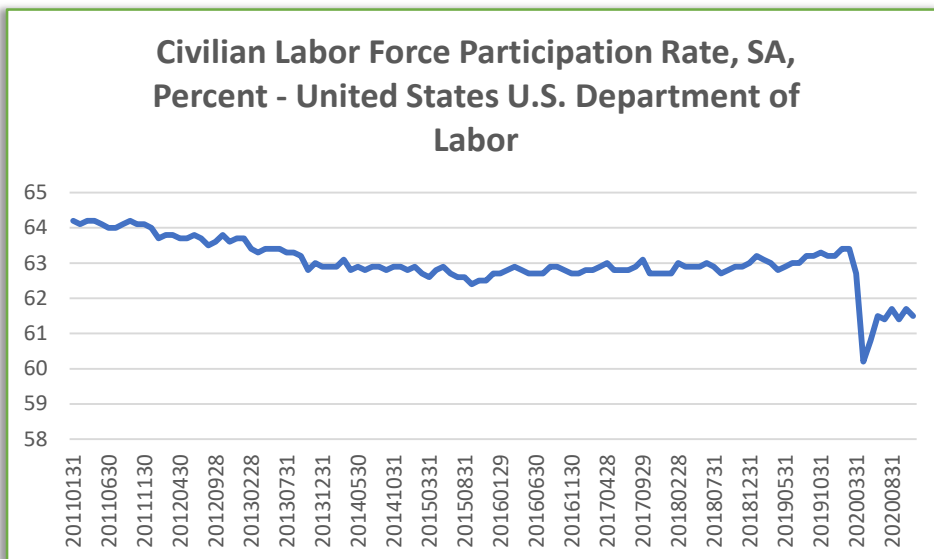
RETURN(%)	Last Month 12/31/2020	Last Quarter 12/31/2020	Last Year 12/31/2020
S&P 500 / Utilities - SEC	0.42	5.70	-2.83
S&P 500 / Consumer Staples - SEC	1.45	5.64	7.63
S&P 500 / Communication Services -SEC	3.07	13.52	22.18
S&P 500 / Consumer Discretionary - SEC	2.45	7.86	32.07
S&P 500 / Information Technology - SEC	5.68	11.52	42.21
S&P 500 / Health Care - SEC	3.74	7.55	11.43
S&P 500 / Industrials - SEC	1.12	15.19	9.01
S&P 500 / Financials - SEC	6.05	22.52	-4.10
S&P 500 / Energy - SEC	4.27	25.78	-37.31
S&P 500 / Real Estate - SEC	0.92	4.09	-5.17
S&P 500 / Materials - SEC	2.31	13.92	18.10

The various economic sectors told a story of the "Stay at Home Economy" and large government stimulus. Technology, discretionary, materials, and communication services led the charge to an overall bullish year. While sectors like energy, real estate, and financials suffered from "stay at home orders", and lower expectations.

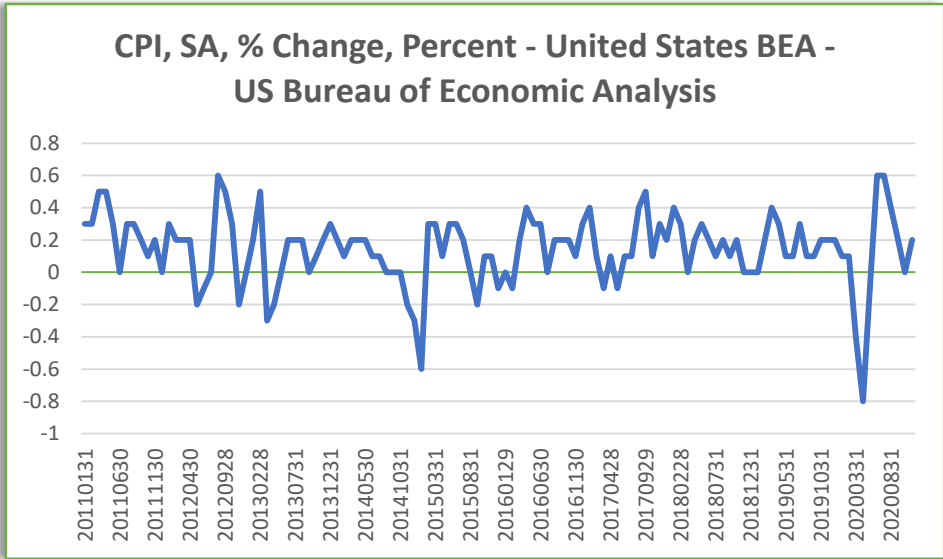
We remain somewhat cautious and favor health care, materials, staples, tech and industrials. Mostly cyclical sectors that should benefit from the pro-growth monetary policy of the Federal Reserve.



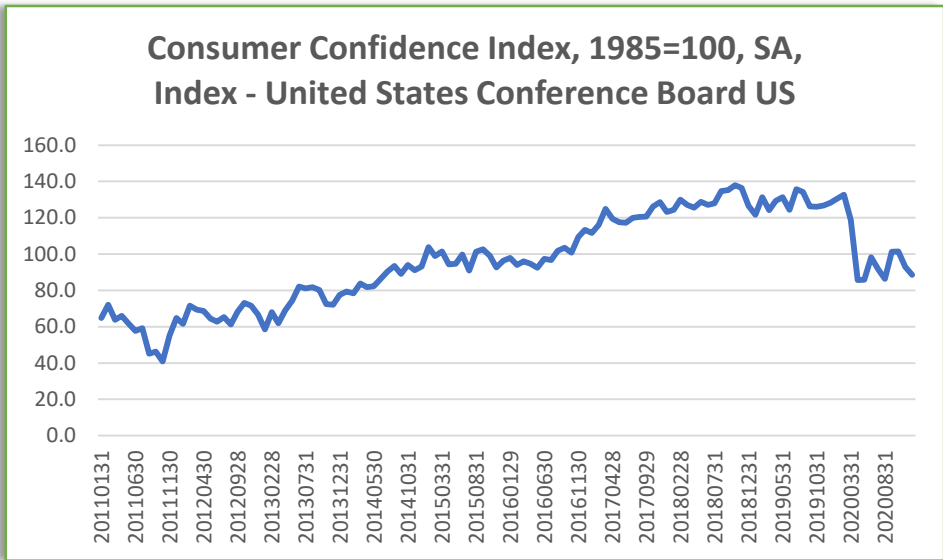
One of the beneficiaries of the “Stay at Home Economy” has been single family housing. Historical low interest rates have created added affordability and the desire to “move-up” has greatly added to demand.



One of the underlying strengths prior to the pandemic was the beginning growth in the participation rate. We had a very robust job market; and although we have witnessed a rebound from pandemic lows, we would like to find continued follow-through.



Inflation has continued to remain modest considering the stimulus programs and dovish monetary policy intimated by the Fed.



Consumer Confidence may be telling a different story as, several states have continued to keep their respective economies closed to certain industries. We will continue to monitor the situation as the vaccine(s) become more readily available and utilized.

THE LAST WORD

There are a great number of unknowns as we peer ahead into the coming year. Much like last year, we imagine there will be surprises along with over-exaggerated fears. We will continue attempting to uncover strong companies that produce quality returns in order to attain your long-term objectives.

We wish you a happy, HEALTHY, and prosperous 2021,

MATT A JOHNSON, CFA@