

# 2021 JANUARY COMMENTARY

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## 2021: THE GOOD OUTWEIGHS THE BAD

I am bullish on US equities for 2021. Good, bad, or ugly there is nowhere else to go with the Fed Funds rate at a promised range of 0-0.25% through 2023, but I bet that rates will not budge beyond that deadline. I also think that economic growth will be modest -- COVID has dug a deep hole of which we must climb out of -- and that inflation will not push much higher than 2%, which is the level above which monetary policy could be tightened to ruin the party in stocks. In the meantime, we could have a short-term correction in which I would buy the dip. There still is angst over the presidential election although it seems to be triggered by a sore loser. Nevertheless, President Trump may continue to add uncertainty beyond Inauguration Day and the markets may hate that. Also, before our COVID vaccines are broadly distributed, and, so far, the ramp has been disappointing, US pandemic cases and deaths could continue to climb. I do not believe that they will force America to shut down again like it did last spring, but that could add to our worries and continue to delay normalcy.

There are equity investment opportunities abroad, particularly in fast-growing China, but its relationship with the US first must be stabilized. President-elect Biden does not seem to be much more welcoming to the Chinese than was his predecessor, but time and Biden's Sino trade policy, revised or not, will tell. As primarily a technology investor, I worry most about these superpowers jostling over key technologies like 5G wireless, which is to ramp globally over the next few years. If America loses its technology lead, that would be a serious problem in my view.

Bottom line: Despite cross currents, the good outweighs the bad in my 2021 forecast. I suggest that you forgo bonds -- which I consider to be almost uninvestable with rates this low -- and embrace stocks this year. If you wish to time the market, which few successfully ever do so I do not plan to try in 2021, perhaps you limit your investments at the beginning of the year and get more aggressive after the smoke has cleared after the critical January 5 runoff election in Georgia for two US senators, after we know more about President-elect Biden's policies, and once we are confident that we have licked COVID because many more Americans have been vaccinated.



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