

# 2021 JANUARY COMMENTARY

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## THE LONGEST YEAR I CAN REMEMBER...

Unprecedented stimulus, interest rates at zero, contested elections, and a once in a century pandemic, and yet here we sit, starting 2021 at all-time highs across all equity indexes. The amazing run-up from March 2020 market lows has a lot of people talking about a bubble, and for good reason. The pandemic isn't over, with case rates at record highs, stay-at-home orders back in effect, travel restrictions, and mask mandates around the world. A lot of people are asking the same questions:

"Is it working?" and "When will we get back to normal?"

My question is will the vaccine work and will it be delivered to enough people soon enough to justify all of the growth in the stock market in the past nine months?

All of these are good questions that need to be answered and will hopefully help guide our markets and our investment decisions in 2021.

So far we've avoided a major shift in market sentiment, yet all the pieces to an upcoming market correction are in place. The world is hurting economically from the pandemic. There's been a full shift in the way we businesses are run, and the way we travel, socialize, and live our everyday lives has changed. Some things will never come back. Some industries appear stronger than ever and will be guiding us on our wave into the future. One thing the market does like is certainty. So with an uncertain future, I feel there has to be a correction coming. The question we don't know the answer to is when it will come, how long it will last, and what will be the driving force that lifts us out of the correction when it does happen. Until then one thing I know will continue is the short-term volatility in the equity markets.

That said, our strategic asset allocation models at ISWM are positioned to lower risk in a downturn and still participate on the upside. We have a long term time horizon in most of our models. We did four full rebalances in 2020 to capitalize on all of the volatility. Assuming more volatility in the short term, I would expect us to continue the trend of more rebalances than normal, while we wait for both the US economy and the rest of the world to return to some sort of normal.

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