

## OBSERVATIONS

- COVID-19: With the largest vaccination effort in history underway, more than 10.8 million doses of vaccinations have been administered in 29 countries, 3.49 million of which have been in the U.S.<sup>2</sup>
- Margin debt – borrowing against securities – reached a record high \$722.1 billion and flows into leveraged exchange traded products reached the 2<sup>nd</sup> highest on record for a calendar year (behind 2008).<sup>1</sup>
- The year of the IPO: Nearly 500 companies listed on U.S. exchanges during the year, raising over \$178 billion. Almost half (230 of 500) were special-purpose acquisition companies (SPACs) – so called blank check companies.<sup>2</sup>
- Mortgage rates fall again, the average 30-year fixed rate fell to 2.66% marking the lowest rate in the data which goes back almost 50 years.<sup>2</sup>
- Commercial real estate challenges remain, as Bloomberg notes delinquency rates for the \$529 billion commercial mortgage-backed securities markets reached 20% for hotels and 14% for retail in November.<sup>2</sup>
- An estimated 52 billion masks will have been produced in 2020, assuming a 3% loss rate, some 1.5 billion masks would find their way into the world's oceans.<sup>3</sup>
- Data shows that 12 million renters will owe nearly \$6,000 in back rent and utilities by January – while recent stimulus including provisions to extend eviction moratoriums helps, the liability for these folks grows.<sup>4</sup>
- Initial jobless claims dropped to 787k and have now moderated near the 800k mark since late August.<sup>2</sup>
- The Commerce Department reported that household spending dropped for the first time in seven months as U.S. personal consumption expenditures on goods and services declined 0.4% in November.<sup>2</sup>

## EXPECTATIONS

- On a year over year basis, dividends for the S&P 500 increased +.50% in 2020 and are expected to grow +3.8% in 2021 and +6.0% in 2022.<sup>5</sup>
- After accounting for the Federal Reserve's bond buying program, 2021 will see record U.S. Treasury issuance with nearly \$1.8 trillion slated to be issued over the year. As J.P. Morgan notes, rates may need to drift higher to encourage demand given the expected supply/demand imbalance.<sup>6</sup>
- Georgia's senate runoff elections take place this week (5-Jan), polls now favor the Democrats in both races by a slim margin while betting markets continue to favor Republican control of the Senate<sup>7</sup>. Meanwhile some Republicans are likely to object to several states' Electoral College results on 6-Jan. The objections would require acceptance from both the Senate (Republican led) and the House (Democratic led) in order to reject those states' votes.

## ONE MORE THOUGHT

A constraint on productivity? According to Bloomberg<sup>8</sup>, November saw 1.8 million employee absentees due to illness (or fear of illness), the second highest behind April's 2.0 million. These figures represent a doubling of worker absentees witnessed pre pandemic. The recovery, particularly as observed in consumer spending ([21-Dec chart of the week](#)) and employment, has stalled during much of this past fourth quarter given additional lock downs, and lack of stimulus and expiring benefits, among other things. The effect of these variables has been particularly felt in

<sup>1</sup> WSJ, 27-Dec

<sup>2</sup> Bloomberg LP

<sup>3</sup> <https://oceansasia.org/covid-19-facemasks/>

<sup>4</sup> Business Insider, Moody's Analytics

<sup>5</sup> Bloomberg LP, Bloomberg dividend forecasting model, 2021 and 2022 estimates based on index members as of 21-Dec

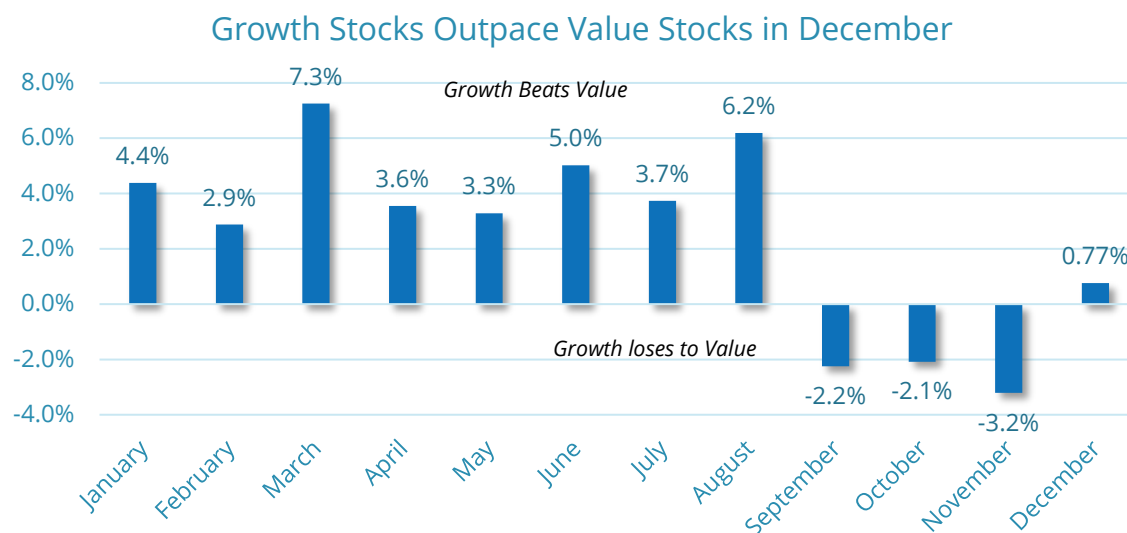
<sup>6</sup> FT, J.P. Morgan

<sup>7</sup> Realclearpolitics.com, PredictIt.org, as of 31-Dec

<sup>8</sup> Bloomberg LP, "Millions of Americans Are Calling in Sick, Stunting the Recovery", Department of Labor

manufacturing where a combination of lack of workers (i.e., an estimated 525k<sup>9</sup> jobs are opening in this sector – the most since 2000), increased absenteeism, and increased shutdowns for sanitization has constrained the manufacturing sector. This is arguably a negative feedback loop that will only subside once the virus (and its variants) has been controlled through sufficient vaccination distribution and continued development. The effects of absenteeism in the office are also notable – though the effects may be less problematic for the economy given the ability to remote work. Accountemps, in a 2019 survey<sup>10</sup>, found that 9 of 10 respondents go to the office while feeling cold/flu symptoms – clearly COVID-19 has changed that today, and absenteeism may seem more pronounced as office goes modify behavior. With vaccine distribution underway, albeit at a slower than expected pace, it should help limit the negative feedback loop into the economy by limiting labor disruptions. So, while the vaccine presents tremendous opportunities to move forward, it also presents risks to markets in the event vaccination timelines are challenged.

## CHART OF THE WEEK



Source: Clearstead, Bloomberg LP, Russell 1000 Growth Index, Russell 1000 Value Index, data as of 31-Dec

December witnessed a reversion back to prior trends with growth stocks (Russell 1000 Growth Index) besting value stocks (Russell 1000 Value Index) by +.77% during the month following 3 months of Value outperformance. For the year Growth has returned +38.5% while Value has gained +2.8%.<sup>2</sup>

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<sup>9</sup> <https://www.bls.gov/news.release/pdf/jolts.pdf>

<sup>10</sup> <https://www.prnewswire.com/news-releases/9-in-10-employees-come-to-work-sick-survey-shows-300944450.html>

**Clearstead**  
**Benchmark Flash Report**  
as of: 12/31/2020

	<u>Current Price</u>	<u>MTD</u>	<u>QTD</u>	<u>YTD</u>	<u>1 Year</u>	<u>Since 3/23/2020</u>
<b>Domestic Equity</b>						
<b>Russell</b>						
All Cap	2248.44	4.50%	14.68%	20.88%	20.88%	76.82%
Large	2120.87	4.22%	13.69%	20.95%	20.95%	75.48%
Large Growth	2427.77	4.60%	11.39%	38.49%	38.49%	84.93%
Large Value	1349.62	3.83%	16.25%	2.78%	2.78%	64.21%
Mid	2743.05	4.68%	19.91%	17.10%	17.10%	88.83%
Mid Growth	1655.93	4.80%	19.02%	35.59%	35.59%	97.14%
Mid Value	2239.68	4.62%	20.42%	4.96%	4.96%	82.38%
Small	1974.86	8.65%	31.36%	19.93%	19.93%	99.02%
Small Growth	1455.25	9.34%	29.60%	34.61%	34.61%	108.14%
Small Value	1972.38	7.92%	33.34%	4.60%	4.60%	87.90%
Micro	743.80	7.70%	31.37%	20.89%	20.89%	102.99%
<b>S&amp;P</b>						
500	3756.07	3.84%	12.14%	18.39%	18.39%	70.17%
400	2306.62	6.51%	24.36%	13.65%	13.65%	91.66%
600	1118.93	8.31%	31.27%	11.24%	11.24%	90.08%
<b>Other</b>						
DJIA	30606.48	3.41%	10.73%	9.72%	9.72%	67.41%
NASDAQ	12888.28	5.75%	15.67%	45.06%	45.06%	89.15%
<b>International Equity</b>						
<b>MSCI</b>						
EAFE	6916.46	4.65%	16.05%	7.82%	7.82%	61.43%
ACWI ex USA	277.25	5.41%	17.01%	10.65%	10.65%	65.96%
ACWI ex USA Growth	300.46	5.25%	13.92%	22.20%	22.20%	70.62%
ACWI ex USA Value	4423.08	5.37%	22.06%	2.54%	2.54%	62.54%
ACWI ex USA Small Cap	1740.95	6.99%	18.56%	14.24%	14.24%	87.89%
EAFE Small Cap	525.20	6.83%	17.27%	12.34%	12.34%	82.10%
World ex US Small Cap	512.18	6.77%	17.55%	12.78%	12.78%	85.04%
Emerging	624.13	7.35%	19.70%	18.31%	18.31%	73.47%
<b>Countries</b>						
Nikkei 225	41688.28	3.93%	18.51%	17.80%	17.80%	64.91%
FTSE 100	6159.18	3.28%	10.86%	-11.58%	-11.58%	32.05%
CAC 40	11831.28	0.71%	15.70%	-5.57%	-5.57%	44.03%
DAX	1234.61	3.22%	7.48%	2.83%	2.83%	55.97%
MSCI China	108.58	2.79%	11.26%	29.02%	29.02%	58.11%
<b>Alternatives</b>						
NAREIT Developed	5365.58	3.64%	13.49%	-8.18%	-8.18%	54.52%
GS Commodity	1976.96	5.97%	14.49%	-23.72%	-23.72%	28.24%
Alerian MLP Index	138.71	2.51%	32.34%	-28.84%	-28.84%	86.91%
SPDR Gold Shares	178.36	7.01%	0.70%	24.81%	24.81%	21.91%
<b>Fixed Income</b>						
Barclays US Agg	2392.02	0.14%	0.67%	7.51%	7.51%	6.40%
Barclays Global Agg	558.73	1.34%	3.28%	9.20%	9.20%	12.45%
Barclays US Corporate High Yield	2338.05	1.88%	6.45%	7.11%	7.11%	33.53%
Barclays Long G/C	5305.49	-0.20%	1.68%	16.12%	16.12%	15.27%
Credit Suisse Leveraged Loan	474.72	1.30%	3.64%	2.78%	2.78%	6.67%
J. P. Morgan Emerging Markets Bond	933.68	1.79%	5.49%	5.88%	5.88%	4.32%
Barclays Municipal Bond	1337.84	0.61%	1.82%	5.21%	5.21%	13.89%
Barclays 1-3 Year Gov/Credit	1371.95	0.09%	0.21%	3.33%	3.33%	2.37%
<b>Domestic Equity</b>						
<b>Sectors</b>						
Communication Services	221.92	3.08%	13.82%	23.61%	23.61%	62.52%
Consumer Discretionary	1302.56	2.53%	8.04%	33.30%	33.30%	83.51%
Consumer Staples	696.32	1.78%	6.35%	10.75%	10.75%	42.14%
Energy	286.14	4.40%	27.76%	-33.68%	-33.68%	65.21%
Financials	490.43	6.25%	23.19%	-1.76%	-1.76%	70.25%
Health Care	1324.01	3.91%	8.03%	13.45%	13.45%	54.12%
Industrials	749.54	1.19%	15.67%	11.05%	11.05%	84.46%
Materials	455.71	2.54%	14.47%	20.73%	20.73%	91.75%
Real Estate	227.90	1.50%	4.94%	-2.17%	-2.17%	47.33%
Technology	2291.28	5.74%	11.81%	43.89%	43.89%	86.47%
Utilities	319.07	0.70%	6.58%	0.52%	0.52%	43.82%

Dividends are included in the returns

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