



January 18, 2021

## FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

Well, things have certainly been anything but quiet since our last email commentary, but amazingly enough, the equity and fixed income markets have taken things in stride. While politics still grab the headlines, and the events at the Capitol last week still ring fresh in our minds, we have also seen some key milestones in the financial world that bear mentioning.

First, treasury yields hit two key levels in the first week of 2021, as the 10-year Treasury yield moved above 1% for the first time since March 2020, and the 10-year breakeven inflation rate, a measure of Treasury market-implied inflation expectations, climbed above 2% for the first time since November 2018. This means that the price of Treasuries, by in large, have been dropping as more and more investors feel comfortable about the recovery we have seen in the equity markets. While a 1% rate is still a low level for the 10-year Treasury, the move higher has been meaningful. But, even though we see this as good news for now, and if we see rates continue to rise would feel the same, additional Fed activity, a change in the economic outlook, or stock market volatility could all change the path of rates.

Also, now that we are more than a week removed from the end of the year, we are able to look back on 2020 to see that it was a good year for stocks despite unprecedented challenges. After being down more than 30% at the March 2020 lows, the S&P 500 Index ended the year with a solid 18.4% total return<sup>[1]</sup>. Last year marked yet another time the index ended a year positive after being down at least 30% during that year<sup>[2]</sup>, although I think all of us would be happy not repeating this feat anytime soon. Gains were driven primarily by the emerging economic recovery taking hold, bolstered by massive stimulus, and the remarkably fast COVID-19

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<sup>[1]</sup> Source: Morningstar Direct

<sup>[2]</sup> Source: JP Morgan Guide to the Markets

vaccine development that encouraged market participants to begin to price in the end of the pandemic. The Technology sector led all S&P 500 sectors in 2020 by a wide margin with its nearly 44% return, but if you remove the sector from the S&P 500 performance, last year's 18.4% gain would drop to around 6%.

Please continue to stay safe, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With my best regards,



Kevin Fusco

Registered Principal, RJFS



<sup>1</sup> Source: Morningstar Direct

<sup>2</sup> Source: JP Morgan Guide to the Markets



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