



February 8, 2021

FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

Even though we just entered the second month of the year, we are now getting some data points on how the economy finished 2020, which was a roller coaster to say the least when accounting for the effects of the global pandemic. Unsurprisingly, economic momentum moderated in the U.S. in the fourth quarter, with gross domestic product (GDP) expanding at a 4% quarter-over-quarter annualized basis according to the Bureau of Economic Analysis, as the high-water mark set by third quarter growth left little room for major improvement.

While Q4 growth was slightly below the Bloomberg consensus estimate of 4.2%, all private domestic components of the economy were positive despite the holiday-season surge in COVID-19 cases that prompted new restrictions on some activities. The good news, especially when trying to determine the direction for the first part of 2021, is that business investment and consumer spending were the primary contributors to GDP, while government spending and net exports were the lone detractors. Interestingly, housing was another strong contributor to GDP in the fourth quarter, as historically low mortgage rates and the structural shift caused by the “working from home” environment has supported continued strength in the industry.

Looking forward there is reason for continued optimism as a few factors should help bolster economic growth. First, the US economy appears to be avoiding a double-dip like we’re seeing in Europe. This is important since it lends credence to hopes that continued progress on the rollout of the COVID vaccine and a trend toward herd immunity will lead to much more robust growth in the second half of 2021. In addition, and even though the debate over the proposed \$1.9 trillion stimulus proposal is just getting started, early signs point toward a deal ultimately being passed in the first quarter, either through a bipartisan vote or through the budget reconciliation process. Either path should help propel short-term growth, although

the longer-term effects will likely require tougher fiscal policies in the intermediate term.

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,



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