



December 14, 2020

## FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

Encouraging COVID-19 vaccine news has raised hopes for a quicker economic recovery, despite a recent surge in coronavirus cases and reinstated restrictions around the globe. Optimism for a vaccine has been seen in the markets recently, as the status of the pandemic remains the main driver for the global market and economy. Although we are likely still months away from any vaccine being widely available, we now know we are building a bridge to somewhere, providing more clarity for governments and companies planning to move into a post-COVID world. The distribution of an effective vaccine will almost certainly trigger a strong economic recovery in 2021 as reopening ensues, but we must remember the costs associated with the pandemic and its long lasting effects.

Most importantly, we must acknowledge that a financial or economic recovery could never repair the personal losses experienced by millions. Additionally, we will exit the pandemic with much higher government debt levels, lower interest rates, and stretched valuations. The fiscal relief packages that the government put in place during 2020 will push the national debt to over 100% of GDP, up from 80% just two years ago. Given a higher debt level, we can reasonably assume that this implies higher taxes in the years to come.

While headline 2021 economic growth numbers are forecasted to look strong, we must note that this is a rebound from a deep slump, rather than an economic boom. Additionally, as noted in previous commentaries, the recovery is prone to be uneven across sectors and industries. Clearly, this is because the current COVID-related restrictions are mainly targeted at services—travel, restaurants, and entertainment—rather than manufacturing. The pandemic has been a boon for manufacturing as consumers have shifted spending habits towards goods from experiences. Manufacturing only makes up about 17% of the global economy whereas manufacturing companies make up about 50% of global stock market capitalization. Therefore, it would be logical to think that the stock market may

fare better than the economy during the recovery process, and it has. Remember—the stock market is not the economy.

With quick and successful vaccine distribution, comes the prospects for an economic revival of the sectors and industries most affected by the pandemic. As the risk of contracting coronavirus diminishes, post-vaccination, global pent-up demand for beleaguered service industries should be unleashed. Global demand to travel, dine-in at restaurants, and enjoy previously postponed events and family vacations could thrust the recovery into a higher gear which would be reflected in GDP growth in the latter part of 2021.

Positive COVID-19 vaccine developments reinforce our expectation that the economic restart can gather steam again in 2021, however, we do see the potential for near-term disruption from ongoing virus resurgence. A full economic recovery is unlikely until people are confident that it is safe to reengage in a full pre-pandemic range of activities.

We thank you for your continued trust and confidence in us as we wish you a healthy and prosperous holiday season.

Sincerely,



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