January 2021 Market Commentary

Toth Financial is excited to announce that we will begin rolling out our secure electronic signature DocuSign service starting in Q1 2021. This will allow clients to securely view and sign documents to include Annual Guidance renewals and most Charles Schwab forms. The Client Portal will continue to be utilized separately to view your accounts, performance, and previously signed documents; including those signed with electronic signature.

2020 has closed out and the markets had another exceptional year. This fact may seem somewhat surprising considering the historical events that occurred in the middle -- a global pandemic, a global economic shutdown, a 34% bear market, and a US presidential election. Yet the markets demonstrated extraordinary resiliency and the S&P 500 closed the year with a 16.26% positive gain.

The Covid-19 global pandemic was a shock to many. No economist or fund manager had foreseen global shutdowns of nearly all economies. Many experts were uncertain through the volatile period as the unknowns stacked up. As we learned more information about the impacts of Covid-19 we witnessed the full spectrum of investor sentiment over the course of 2020; panic in the 34% rapid decline of the S&P 500, disbelief that a market recovery was sustainable, to enthusiasm in continued positive gains. The rapid and sustained rebound was due, in large part, to the swift and wide-ranging actions of the Federal Reserve which provided a stabilizing effect preventing a long-lasting financial crisis. Their actions will provide a good springboard into 2021.

The new year will bring a presidential administration change that will usher fiscal policy uncertainties such as corporate taxes, personal income taxes and capital gain taxes to name a few. Each of these will have an impact on the markets and will bear close monitoring throughout the coming year. In the end, 2020 was more about medical developments rather than political developments; however, 2021 will likely be more about political changes.

Looking ahead, we expect continued progress on the Covid-19 vaccine rollout along with clarity of US monetary and fiscal policy. While the Gross Domestic Product (GDP) has a good bit of ground to make up in order to fully recover from the Covid-19 economic damage, we believe there are shining contributors within our economy that will continue to fuel equity market growth in the year ahead. Although we do not foresee the double-digit gains of the last couple of years, we anticipate sustained positive returns in the S&P 500 as the economy rebuilds and consumers become more comfortable with the new environment.

The bottom line is we remain positive on American businesses and a lasting economic recovery. Equity markets should remain positive due to vaccine rollout, economic recoveries and in no small part because stocks offer comparatively attractive returns at a time when interest rates are near-zero.

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