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Wow.

I have never started a quarterly letter with that word, but I never could have imagined the events of 2020 being outdone within the first 6 days of 2021. Yesterday, as I attempted to write this letter, the runoff in Georgia (which I thought would be the biggest news of the day) became a minor story in comparison to the events that unfolded in Washington, D.C. As with most things of this nature, if I would have told you that the events of 2020 and 2021 were going to take place, you may have not wanted to own stocks. And, as history has proven for decades, that would have been a very costly mistake.

This contrary and illogical fact is proven time and time again because the market is always looking forward and peers through the most recent crisis. The other constant that does not change is that the value of all assets is set by the cost of money. Interest rates and the policy of the Federal Reserve determine the price. If the market is comfortable with the leadership and capability of the Fed to enact proper monetary policy, the market will be strong in the face of future chaos that we cannot possibly predict.

My expectation is that the posture of the Fed has not changed and will not change for some time. If we continue to reopen the economy, even with the bumps in the road like vaccine distribution and other issues, stocks will continue to be the best asset class to own. I do not see bonds having a good year as yields are starting to rise, and I believe the Fed will probably let rates rise more than they normally would before they act. That could let inflation start to take hold, which is something we have not seen in decades. It will help many parts of the market that have been laggards, such as financials and energy.

As for the potential (it looks certain at this point in Georgia) Democratic control of the House, Senate and White House, the market expects more stimulus from D.C., along with an infrastructure package. That is why we did not see a sell off on the Georgia runoff results. Time will tell how the story unfolds, but regardless, we will be here everyday working for you and doing our best to further your interests. In a year like 2020, you really find out who your clients are. Thank you for your trust and confidence through the storm. We have never been more grateful. Happy New Year.



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