PRIVATE CAPITAL GROUP LLC

Private Capital Group Q4 2020 Newsletter

After we bid "so long!" to one of the most extraordinary, unusual and challenging years in modern history, we welcome 2021 with optimism and good cheer. While the COVID-19 pandemic created a pall of darkness and unsettlement for many in 2020, a new year starts with promise and hope. An arduous 10-15 years on average to accomplish, several vaccine developers have announced solid results in large-scale clinical trials. With barriers such as funding, logistics of setting up trials and navigating red tape essentially removed, multiple vaccines have been developed and approved for use. In light of this, from a financial perspective, sectors suffering the unexpected and harsh conditions of 2020 saw a late-year surge over growth stocks after many large banks and other financial institutions raised their targets for most of the market. In addition, following months of intense negotiation, Congress passed the Consolidated Appropriations Act, which President Trump signed into law on December 27. The bill includes many provisions, but none more important than the allocation of roughly $900 billion in Coronavirus assistance. Strong economic growth for 2021 appears to be on the horizon as vaccination sparks reopening of dormant parts of our economy and consumers bubbling with desperate desires to spend.

America has demonstrated resiliency and should remain optimistic, however vigilant of the times to come. COVID-19 cases have been steadily rising as we begin the winter months. In response, continued and, in some areas, severe lockdown measures have been enforced. Public health concerns and fear of COVID-19 variants are circling. Uncertainty swirls about the pace of global recovery and the length and extent of future monetary and fiscal support we will receive creating new layers of complexity for appropriate U.S. equity and fixed income valuations.

Financial Market	**Q4 2020**	**YTD 2020**
S&P 500 (Domestic Stocks)	12.15%	18.40%
EAFE (International Stocks)	16.09%	8.28%
U.S. Government/Credit Intermediate Bonds	0.48%	6.43%

Town Center, 29 South Main St. | West Hartford, CT 06107
Phone 860.561.1162 | Fax 860.561.1018 | Toll free 877.561.1162
WWW.PCGCT.COM

Cases on the rise, again

With COVID-19 news front and center, we can reflect on how the pandemic has altered our lives. Businesses such as restaurants and hotels, have been forced to adhere to strict social distancing measures and maintaining cleaning and disinfecting operations or shut down altogether. After the yo-yo effect we experienced in the spring and summer, witnessing surging and retreating, the winter months have seen a steady increase of new confirmed cases.

On the upside, as cases are rising, the introduction of multiple, and seemingly effective, vaccines in the U.S. should potentially limit the spread in the coming months. Experts state that approximately 150 million people will be vaccinated as we close the midway mark of 2021. With more vaccines granted approval over the next few months, along with more efficient and effective testing and therapeutics, COVID-19 cases and fatalities should notably drop. Knowing this, our fall 2021 forecast shows signs of a return to normalcy, however new and undefined our "normal" may be.

Don't Fight the Fed

Throughout the early stages of the pandemic, the Federal Reserve took swift and decisive action to support the economy *however* they feasibly could. From cutting the federal funds rate to 0-0.25% to opening and expanding the wide range of facilities to support the bond market, the Fed significantly added to its balance sheet to the tune of roughly $3 trillion, including around $2 trillion in holdings of Treasury bonds. The Fed then adopted the "Average Inflation Targeting" operating strategy to achieve inflation of above 2% for some time.

In its recent announcements following its December meeting, the Federal Reserve will continue its pledge and will maintain its current purchases of Treasuries and mortgage-backed securities until "substantial further progress" has been made to achieving inflation and employment goals. Because of these steps, many economists believe that this timetable suggests that the Fed will reduce its bond purchases well before any increase in short-term interest rates. Directly related, it's likely we'll experience a steepening of the yield curve as the economy continues to recover in 2021.

Investing in a Volatile Market

Behavioral economics suggests that, in times of stress and unease, many investors focus on the short run. Market volatility, ignited by a global pandemic, drives some

Town Center, 29 South Main St. | West Hartford, CT 06107
Phone 860.561.1162 | Fax 860.561.1018 | Toll free 877.561.1162
WWW.PCGCT.COM

investors to allow emotions to overcome reason and abandon investment strategies. We must remember short-term volatility may *not* be indicative of a long-term trend. Historically, the key to avoiding turbulent weather of a volatile market is to stay invested in the long-term. Coupled with a thoughtfully devised investment and asset allocation strategy, staying invested during an unpredictable market and avoiding emotion-driven decisions historically has resulted in better returns. Our team of financial advisors is prepared to speak openly with you and together we can craft a plan that will keep you invested.

Private Capital Group offers a full-hearted "thank you!" for your continued confidence and trust in us, most recently through the unexpected and unusual 2020 which affected all people in different ways. PCG is steadfast in its dedication to you and your family's financial wellbeing. Our team is devoted to delivering the best possible service to you, our valued clients. As partners, we are here for you and we welcome and encourage your feedback.

Wishing you safety and health as we welcome a new year promising change and silver linings.

01-08-2021