

# Clearly Connected

January 2021

## 2021 Market Outlook:

### It's Not How You Start, It's How You Finish

#### 2020 Recap

Just as in sports, the start of the season does not always dictate how a team finishes the year. Recall the 2017 Philadelphia Eagles, for example; they were 4-6 just after the midpoint of the season and eventually defeated the Tom Brady-led New England Patriots in Super Bowl LII. Similarly, the Dow Jones Industrial Average (DJIA) saw a large drop in the beginning of 2020 followed by a quick recovery, exceeding the all-time high. However, the large jump in the DJIA does not necessarily suggest a continual move upwards.

2020 was a year that featured a pandemic, socio-political unrest and one of the most controversial presidential elections in the history of the United States. As a result, the stock market experienced its largest drop since the 2007-08 financial crisis. Beginning in February and into March, investors endured extreme volatility in witnessing the DJIA drop more than 35% in a matter of days. The coronavirus has made a tremendous global impact as it ultimately shut down economies and resulted in the loss of many lives. As the news and hope of a successful vaccine becomes more prominent, we look to 2021 with great optimism.

*\*Continued on Page 2.*

#### Message From Steve

Welcome to 2021. As we have said, "This is the Way" into a new period of investing. With that, we bring you this month our 2021 Outlook and short video to give you some insight into our thought process and what we believe could be in store this year. Policy - Congressional acts - should be a key to the volatility in the coming year. With a new Administration and new agenda, we must pay close attention to those items that may affect the economy through taxes and spending. Thus, in the short term we have witnessed a positive move in the market. We must be careful, however, and in view of the overall outlook as attached, patience is necessary! Watch and read for more details of what we believe for 2021.



#### Stocks We Follow

##### Southwest Airlines

- ♦ Ticker Symbol: LUV
- ♦ Stock Exchange: NYSE
- ♦ Sector: Industrials
- ♦ Industry: Airlines

##### Gilead Sciences

- ♦ Ticker Symbol: GILD
- ♦ Stock Exchange: Nasdaq
- ♦ Sector: Healthcare
- ♦ Industry: Biotechnology

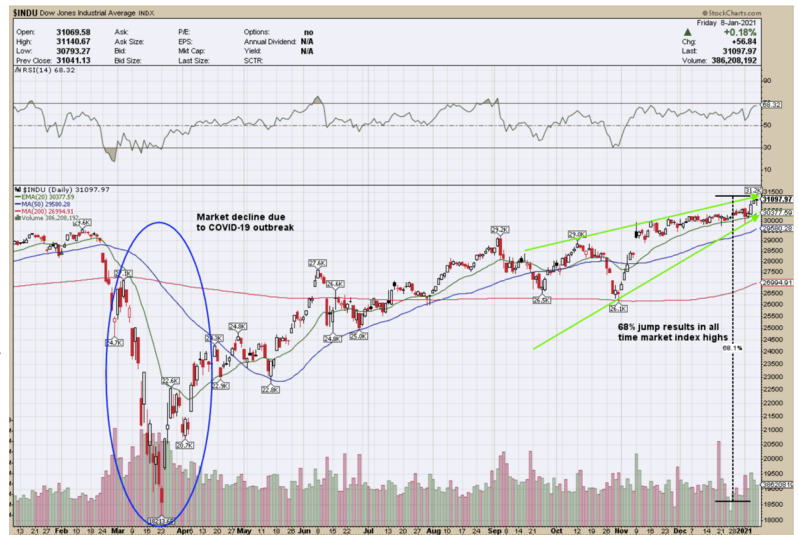
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## 2021 Market Outlook: Continued

### *Uncertainty Looming*

While we expect an upward trend of the overall market for the long-term, there remains speculation regarding the virus and the recovery of global economies. Throughout 2020, unemployment soared as both small and large companies were forced to close offices for months at a time, work from remote locations and in some cases, close permanently. Although there is increasing hope in a vaccine as several are in the distribution and administration phase, no one can be certain of the response that may follow. As 2020 showed us, volatility often provides great value in the market along with opportune buy points followed by quick recoveries. After the 35% drop in March, the Dow Jones moved 68% upwards in the remaining nine months in 2020. This quick recovery indicates skepticism in the short-term with securities becoming “overbought”. Many analysts suggest that a correction could occur in early 2021 before a long-term upward move would occur. Thus, the recovery we have witnessed into year-end 2020 leads us into our equity forecast for the year 2021.



### *Early Pullback Expectations*

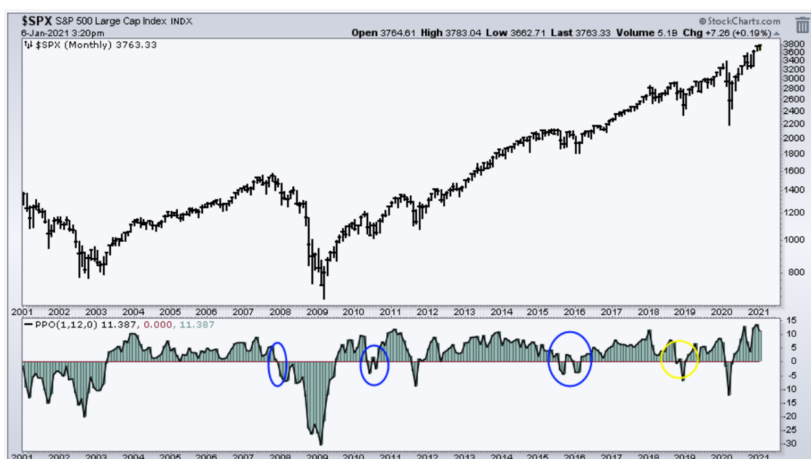
As 2021 rolls in, we suspect the equity market may experience a decline in the short-term. We have been patiently waiting, once again, after the market moved to all-time highs. With the Senate race wrapping up in Georgia and President-elect Joe Biden taking office, individuals and corporations are leery of what may be in store for the economy. With the threat of income taxes rising, companies are also faced with the possibility of increased corporate taxes, which would potentially have a significant impact on their earnings. In addition, Biden's agenda includes industry-specific taxes that would have even more of a negative impact on companies' bottom lines.

As we look back on the 68% increase in the Dow Jones Industrial Average from March 2020 to the end of December 2020, we attempt to gather information on where the market may be headed through our technical analysis of charts. Comparatively, the S&P 500 Index rose 69% during the same time frame. Technical Analysis and Percent Price Oscillator (PPO) allows investors to see momentum through the relationship of two moving averages as a percentage. The graphic below depicts the S&P 500 Index, tracked monthly, over the last 20 years. Historically, when the PPO indicator line drifts above 10%, the index enters an area that has often suggested a negative price move for the market may be ahead. A correction

### **Investment Management Tip of the Month**

Market volatility can result in emotional investing. This is why EWM establishes an investment policy statement for you. It helps guide you and our team through short term market volatility so we can, as a team, reach your long-term goals. Stay the course and be patient!

which pulls the PPO below zero often helps resolve an overbought market scenario and promotes confidence in a long-term move higher that follows. Currently, the major indices, including the S&P 500, have drifted well above the zero line. Theoretically, the PPO would need to drop, meaning a downward move in the S&P may be near, and this would possibly correct the negative divergence. After the PPO indicator line crosses back above zero, into positive territory, a long-term move upward may be confirmed.



### Long-term Optimism

With that, there are short-term cautious signals, but after the selloff in the beginning of 2020 and the subsequent recovery, we have a positive outlook in the long-term with 37k on the DJIA as our target, based on our analysis, over the next 12-18 months. As we move further into the year, there is opportunity in areas that still have not fully recovered. The market saw many sectors experiencing negative annual returns for 2020, however, in the last quarter, we saw energy, financials and industrials undergo a significant reversal move. Analyzing rotational graphs will help to understand the possible direction of specific sectors and industries moving forward. As an entire market, we anticipate a bullish market for 2021 after we see a brief correction from the end of 2020.

#### Industries whose returns haven't fully recovered yet

S&P 500 Industry	2020 decline
Energy equipment & services	-37%
Oil, gas & consumable fuels	-34%
Airlines	-31%
Aerospace & defense	-17%
Banks	-15%
Gas utilities	-15%
Diversified telecom services	-12%
Leisure products	-9%
Multi-utilities	-8%
Real estate investment trusts	-4%

Source: Bloomberg, December 29, 2020.

### Fixed Income Outlook

The fixed income market is offering low interest rates which are expected to continue throughout 2021 and possibly into the next couple of years. In the middle of December, the Fed announced that it would keep the federal funds rate between 0 and 0.25 until the economy can recover from the effects of the coronavirus. In addition, the Fed also announced that it will continue Treasury buybacks with a goal of \$80 billion per month for the foreseeable future. With such low rates announced to continue through 2022, we expect the bond market to lag behind equities and to only appeal for necessary diversification purposes.



## Tech Talk

### ***New Client Portal!***

Many of you may remember our old client portal through MorningStar. We recently updated to BridgeFT for client portals. This software solution at EWM allows our clients to access their important documents such as the advisory fee report and account information at any time. You will also be able to view account performance since the beginning of 2020 and securely upload documents for the EWM Team to view. This solution continues to strengthen our client – advisor relationship. The following link provides you with additional detail on how to access your EWM client portal.

[EWM Client Portal Instructions](#)

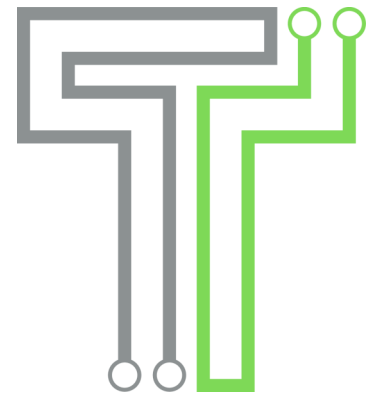
If you would like to become enabled in the new client portal, please email [lwaller@econwealth.com](mailto:lwaller@econwealth.com) or call the office for more information.

Be sure to check out our ***Client Engagement*** video under the EWMTV section for more information on how your information will be collected for us to be prepared for your meetings!



### **Practice good password management!**

We all have too many passwords to manage - and it's easy to take short-cuts, like reusing the same password. A password manager can help you to maintain strong unique passwords for all of your accounts. These programs can generate strong passwords for you, enter credentials automatically, and remind you to update your passwords periodically.



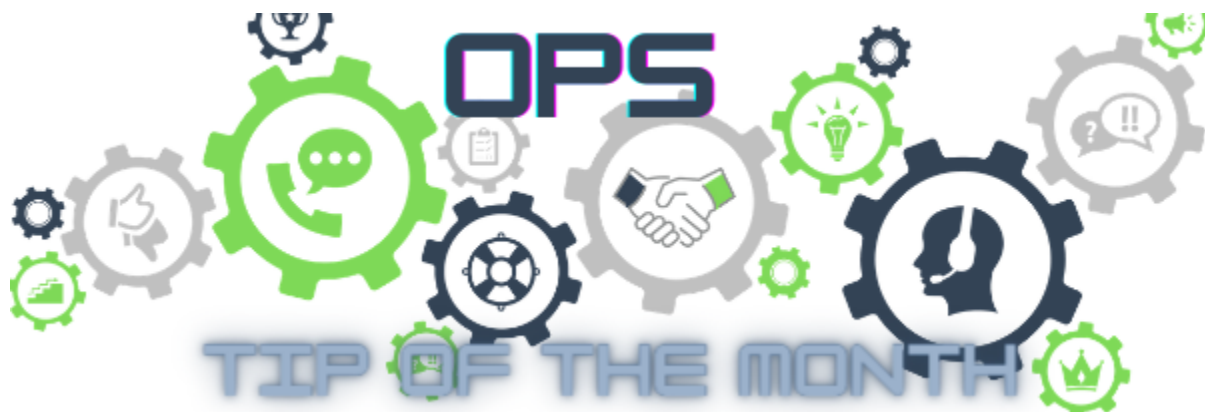
## Introducing Client Spotlight!

Each month we want to feature a client of ours. If you would like to be featured in our newsletter please reach out to us to let us know! We will ask you to answer a few questions for us through a simple engagement. Contact our office for more information at 717-545-5870.



## Client Milestones!

We want to help celebrate our client's milestones by featuring them in our newsletter! If you have something to celebrate, we would love to hear from you! Send us a photo, or write us an email or call the office. New baby? New house? Graduate? Wedding or Anniversary? Special birthday? Even something like paying off your debt! Let us know so we can help you celebrate.



## Update your beneficiaries!

Update any beneficiaries on your accounts, you never know when they will be needed. If you would like to update your beneficiaries, we can help you do that. Or if you want to learn more about beneficiaries on your accounts please contact our office.





Every quarter, Charles Schwab offers a detailed perspective on many areas of the economy and stock market. We are here absorbing this information on your behalf! It can be overwhelming! But if you would like to see what we see, take a sneak peak here at their very own [Quarterly Chart Series!](#)



Click the photo to watch SCMM

Watch our SCMM to hear our thoughts on:

- ◆ Sell High, Buy Low
- ◆ Our Investment Management Teams (IMT) Selected Buying
- ◆ IMT Buying through our Investment Selection Process

## Client Engagement Video!

Collecting your updated information for your meetings has never been easier! Check out this video for a look at our new software to make this process a breeze for our clients!

- ◆ Brand new technology feature
- ◆ Streamlines our meeting preparation
- ◆ Update your info easily and SECURELY

**Watch our Client Engagement Video Here!**



**Watch our Market Outlook Video Here!**

Watch this video for an update on the EWM Market outlook from Steve. This features a special segment called ChartZ with JartZ!

The key points from this video are:

68% recovery in market pushes Dow Jones Industrial Average to record high  
S&P 600 Moving Average Separation indicates long term positive momentum in Market  
Long term outlook remains positive but a short term pullback could be indicated



## Employee Match Game

This is a fun way to get to know our team. Each month we will list the team members for you and all you have to do is match the employee to the list of clues. Come back each month to see if you guessed the right answers!

- |           |   |
|-----------|---|
| 1. Karen  | ___ I have a freckle on the back of my eyeball  |
| 2. Steve  | ___ Major Twilight book and movie series Fan  |
| 3. Brian  | ___ Grew up on a beef cattle farm   |
| 4. Gabby  | ___ I love the galaxy far far away from a long time ago   |
| 5. Laura  | ___ I play baseball at Saint Joseph's   |
| 6. Jake   | ___ Played field hockey at Lebanon Valley College   |
| 7. Tony   | ___ I regrew my tonsils and had to get them removed a second time   |
| 8. Dave   | ___ I play baseball for a minor league team   |
| 9. Trisha | ___ When I was 12 I knocked my front tooth (shattered) out playing tennis. Left to go home, then came back an hour later to get the pieces off the court. |

### ANSWERS

Check out our next newsletter for these answers & a new theme to match!

## Stock Scavenger Hunt



Each month we will reveal a clue about a certain stock and when you think you know the stock call or email in with your guess to see if you got it right to win a prize! We will keep going with clues on the same stock until a client guesses the correct stock. Once that happens we will publish the correct answer and the game resets to a new clue about another stock. Simple right? The catch is finding the hidden clue. All clues

will be found on our website however they might be in a video, or on a random page of the website. Check out our example below for how to play! **HINT:** There are many resources on our site to help you get the right answer!

### Play by Play:

January's newsletter came out, has a hint for where the clue 1 is hidden on website. Clients call in/ email in guesses but nobody guessed correctly. The February newsletter comes out with a new hint to find clue 2. This keeps building until a client guesses the correct stock. Once that happens, all clues given will be published in the next newsletter as well as the answer. The game resets to a new stock and clue 1 is hidden.

### EXAMPLE:

- Clue 1:** Multi-national tech company
- Clue 2:** Headquartered in Cupertino, CA
- Clue 3:** A component of the Dow Jones Industrial Average and the S&P 500
- Clue 4:** Steve Jobs founded this company

Correct Answer: **Apple**

## Guess the Dow

This is a game that anyone can play even if you have no knowledge of the Stock Market! Each month we will give you a date to guess the closing price of the Dow. All you have to do is simply call or email your best guess by the deadline to be entered in. The client whose guess is the closest wins.

### 1/29/2021

Guess the closing price of the Dow for January, 29, 2021. *Deadline to enter is 1/28/2021.*

Email your guess to [lwaller@econwealth.com](mailto:lwaller@econwealth.com) or call the office at 717-545-5870.

## Important Reminder!

*All portfolio review meetings are currently being held via Microsoft TEAMS video chat or phone call until further notice. Our offices currently remain closed due to the pandemic but we will let you know as soon as we are able to open them up for clients.*



## Important Disclosures

Asset/Portfolio allocation cannot eliminate the risk of fluctuating prices and uncertain returns. Our investment management process is not designed for excessively traded or inactive accounts and may not be suitable for all investors. There is a minimum fee per calendar year to maintain this type of account. Stocks offer long-term growth potential but may fluctuate more and provide less current income than other investments. An investment in the stock market should be made with an understanding of the risks associated with common stocks, including market fluctuations. Technical analysis is only one form of analysis. Investors should also consider the merits of Fundamental and Quantitative analysis when making investment decisions. Technical analysis is based on the study of historical price movements and past trend patterns. There is no assurance that these movements or trends can or will be duplicated in the future. Past performance is not a guarantee of future results. Cost to expense and investment expense ratios impact your return and should be evaluated before investing. Econ Wealth Management cannot fully eliminate risk nor guarantee results will be met to match your plan. See the EWM ADV and the CLEAR Understanding of EWM Cost and Services Guide for further information. The portfolios presented are actively reviewed and can be modified with discretion. All ETFs have a Prospectus that is sent to the client. Please reference Prospectus for further information including expense ratios.

Past performance may not be indicative of future results. No current or prospective client should assume that the future performance of any specific investment, investment strategy (including investments and/or investment strategies recommended by the adviser), will be equal to past performance levels. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. The information presented herein is intended for educational purposes only, and is in no way intended to be interpreted as investment advice. In considering the information presented, readers should consult their own professional advisers, as there is no substitute for personalized investment or tax advice. Any charts, graphs, or visual aids presented herein are intended to demonstrate concepts more fully discussed in the text of this brochure, and which cannot be fully explained without the assistance of a professional from Econ Wealth Management. Readers should not in any way interpret these visual aids as a device with which to ascertain investment decisions or an investment approach. Only your professional adviser should interpret this information.

Technical Analysis is a form of research that cannot guarantee any sort of outcome. EWM or Steve consider this a form that is any better than any other sort of due diligence including Fundamental Analysis. Do not consider this video to be a solicitation to buy or sell any security or investment. Clients of EWM must meet certain requirements and a Financial Plan must be in place to guide the Investment Management team to provide discretionary investment decisions on a Fiduciary basis.

The CFP board developed The Code of Ethics and Standards of Conduct which reflects the commitment all CFP® professionals and their firms make to have high standards of competency and ethics. The CFP Code of Ethics applies at all times and guides the behavior of the CFP® professionals and is not affiliated with Econ Wealth Management in any way. They do not make endorsements of any firm or practice. You should research all options of Financial Planners and Advisors in making your own decision of who works best for you.