

The Markets & the Economy - What We're Watching

Top Theme of the Month:

- › Planning for an Uncertain Future

We are only in February, yet a lot has happened this year. We have seen unrest in the US Capitol, a new leader assume the office of the President, an unanticipated result in two Georgia Senate races which tilted the balance of political power, vaccine rollouts across the country as well as new vaccine candidates emerging, and a stock rocketing from \$50 to almost \$500 and back to \$50 within a month. Some events are easy to predict with certainty, others not so much. As you plan for your financial future, it helps to observe what happened in the past to understand what might be best for your future, as well as putting together a guide to help you achieve your goals.

Vaccine Rollout

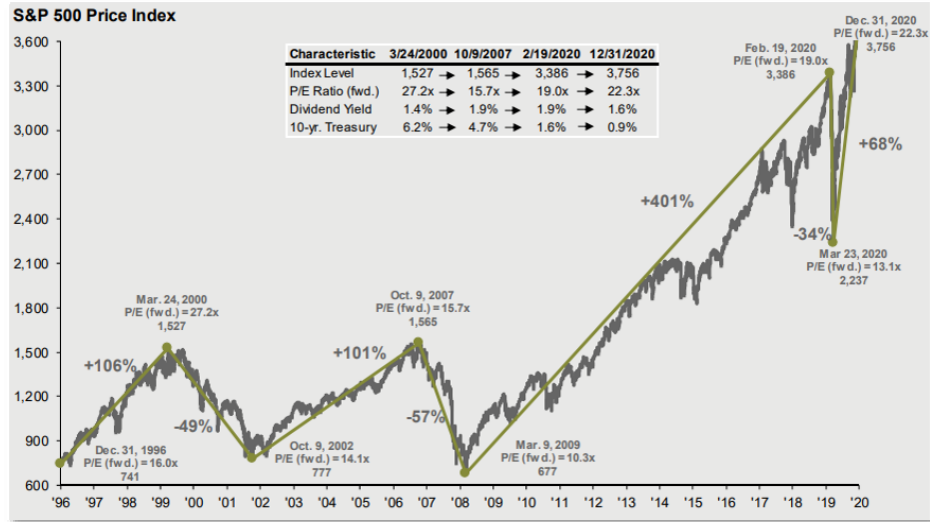
After the democratic sweep from the Georgia runoff election early in the month, we experienced conflict and a breach of the US Capitol for the first time since the War of 1812. Although this event shocked many throughout our own country as well as abroad, we ultimately had a smooth transition of power to the next administration. This administration inherits the challenges of the Covid-19 pandemic, as well as finding ways to promote both economic and social healing. Progress is being made as seen in the vaccination numbers - production, distribution and administration - showing positive signs in the fight to combat the virus. The State of Connecticut as an example, reported Covid cases were down by 92% from early January highs touting high vaccination rates as a large contributing factor.¹ According to federal data collected by the Centers for Disease Control and Prevention "Since vaccine distribution began in the U.S. on Dec. 14, more than 52 million doses have been administered, reaching 11.5% of the total U.S. population...The U.S. is currently administering over 1.6 million shots a day."² President Biden as of last Thursday announced a deal to purchase 200 million more doses with expedited delivery dates aiming to fulfill, or perhaps exceed, his goal to deliver 100 million vaccine shots in his first 100 days. At this early stage in the vaccine rollout, it is still too early to see measurable effects on the economy, but there is hope in the coming months we will start to see broad positive impacts.

¹ CNBC

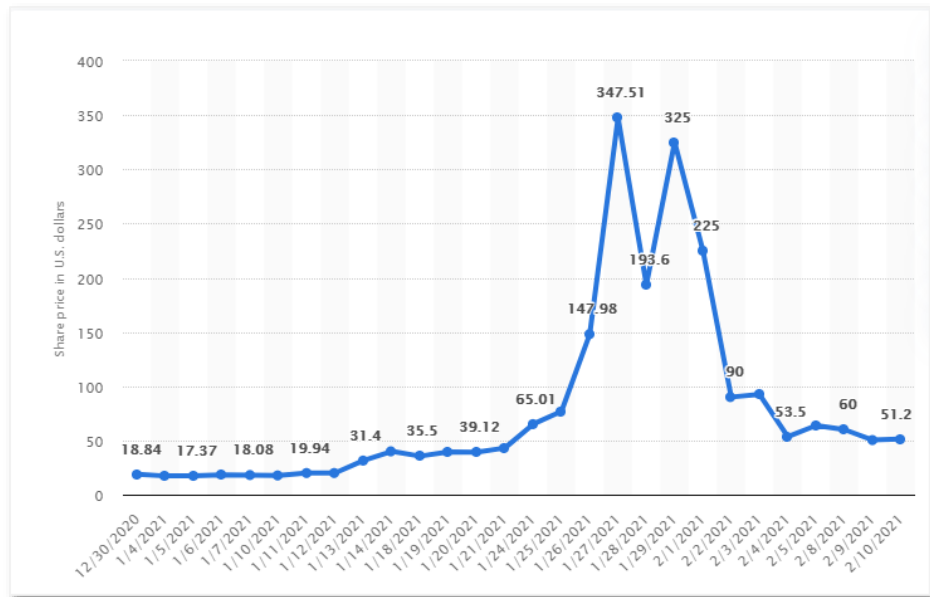
² Npr.org

A Lookback in History

As seen in this chart³, the stock market has experienced many ups and downs in the past 25 years. Each setback has been met with a rebound, though some take longer than others to recover. The bear market of 2020 sent the market down 34% in five weeks, the fastest plunge of more than 20% from an all-time high, but saw a fast rebound as well, even ahead of a full economic recovery. When the market prices in bad news so quickly sometimes it is difficult to remember to keep focused on your long-term goals. Some forget that the market can also look ahead to good news before a complete economic recovery.



Many saw an example of not thinking about the long-term, or even the exercise of what is a reasonable company valuation with GameStop (GME) stock this year. After message board news (Reddit) generated retail investor excitement around creating a “short squeeze” (making investors who are betting against a stock have to buy it to cover their losses if the price rises, driving the price up even further) in GME, the price soared over a number of days



³ Image Source: Compustat, FactSet, Federal Reserve, Standard & Poor’s, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, dividend by most recent price, as provided by Computstat. Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of December 31, 2020.

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from under \$50 to almost \$500. Sadly, when a price gets artificially disconnected from its true worth, only those who sold early end up making profits. The price fell just as quickly and now sits close to \$50 again.⁴ It is a reminder that markets are not always efficient, but in the long-run prices move closer to a more accurate reflection of a company's anticipated future cash flows. More often than not the market has taught us that it is not a mechanism of making a lot of money in short amount of time. Once again, it's time *in* the market not timing the market that gets you results.

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⁴ Image Source: Statista