

## BREAKTHROUGH

The **Breakthrough of the week**, which received worldwide attention was, of course, Wednesday's "Breakthrough" into the Capital building by a mob of Trump supporters following mass demonstrations in Washington. Suffice to say every media has and continues to cover the reasons and long term possible ramifications, so no further comments from me.

Breakthroughs, sadly, were also seen in the pandemic world: with many regions and countries reporting record daily cases and record daily death tolls. So far the implementation of the vaccines, other than in Israel, continues to underwhelm.

Yet, despite all of the above angst, **breakthroughs were also abundant** in the investment world:

- The three major U.S. stock indices ended the week by breaking out to all-time highs, despite a weakish jobs report.
- Canada's TSX also reached a record high.
- The U.S. Dollar Index, measured against a basket of six major rivals, broke down, falling 6.7% in 2020, marking the first annual drop for the currency since a 9.9% decline in 2017.
- Congress concluded a \$2 trillion stimulus agreement. The total pandemic related stimulus measures to date allowed U.S. Household Real Disposable Income to post its largest increase in more than 60 years of data.
- The US 10-year treasury bond broke through the 1% yield level - still historically low, but that is a double in yield since mid-year.
- The 10-year U.S. Inflation expectation broke above the 2% mark for the first time since 2018.
- Oil saw a breakthrough to its highest level since March, this following more cooperation amongst OPEC members than anticipated. Not surprisingly, energy shares were amongst the biggest winners last week.

**Lots to ponder as the world's largest economy gets a new leader:** Will COVID herd immunity be achieved? What will be the economic and monetary policies of the new administration? What will happen with US-China trade? Will crypto go mainstream? Electric vehicles and space exploration? Is inflation on its way back? ( I say yes !!)

"Recovery," "rotation," "reset" are some of the words being tossed around by analysts and investment firms. **A lot of "good news" has been built into many share prices**, and it is hard to find timely and attractively priced buys.

My expectation is that once the new administration takes over, investors may take on a "**show me**" stance, and that means any disappointments could result in notable selling. Thus, I would not be surprised to see lower prices in many of the currently over loved sectors by the second quarter. Prudent money management says keep an appropriate cash percentage on the sidelines for potential "bargains".

