

Happy New Year!

While many of the challenges faced in 2020 persist today, we remain optimistic about the future. Having overcome the emotional rollercoaster of recent memory, please take a moment to review the core tenets that will steer our wealth management philosophy through 2021:

### **Equity Markets**

Every major event over the past century shook people's confidence in the future - pandemics, world wars, deep recessions, even the Great Depression. Once they ended, within a few months or quarters the economy was growing again usually quite strong and making up for lost time. These events cast a long shadow on people's memories and confidence to the point that we are still talking about them today - but they did not cast a long shadow on the economy. As a whole, the economy adapted and regained its form driven by growing global population, rising prosperity and increasing productivity.

Equity investment attitudes in 2020 were mostly shaped by the pandemic and overall skepticism. In our view, the COVID-19 economic damage will diminish greatly through 2021, while confidence will grow and return to a recognizable social and business landscape. We believe the V-shaped recovery began in May and continues today for most economies. The U.S. and Canadian economies should regain their pre-pandemic high ground by late 2021-early 2022. For Europe, the U.K., and Japan, it will likely take a couple of quarters more. China's economy has already recovered the ground lost to the first half's COVID-19 shutdown. Earnings could surprise to the upside in 2021 and 2022.

### **Interest Rates**

Inflation is unlikely to be an issue for some time, probably two years at least. The U.S. Federal Reserve announced gigantic commitments back in March and April to backstop financial markets and keep them functioning. The U.S. Federal Reserve will not let inflation move high enough to endanger the recovery.

Please reach out if there is anything we can do to help.

Wishing you all the best,

*The Polcari Polcaro Resciniti Group*  
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