

# Hamilton-Bates

## Market Update

*December 21, 2020*

P.O. BOX 270 Newtown Square, PA 19073 877.768.4247 www.hbir.com

As we head into the final days of the year, the Covid crisis has flared once more, as the virus has piggy-backed on the winter flu season to bring another wave of the virus across the globe. By this time around it seems most of us now know someone who has suffered from COVID, and it has been a somber and sobering year. The rapid creation of the vaccines hopefully will make this wave the last one for this miserable little microbe. Talking about the market seems almost inappropriate with so many suffering or have suffered in 2020, so we'll keep comments strait-forward.

### **Santa Claus Rally**

What is the Santa Claus Rally? A Santa Claus rally is a calendar effect that involves a rise in stock prices during the last 5 trading days in December and the first 2 trading days in the following January. According to the 2019 Stock Trader's Almanac, the stock market has risen 1.3% on average during the 7 trading days in question since both 1950. Over the 7 trading days in question, stock prices have historically risen 76% of the time. If there is no rally during this period, historically its been a bad omen for stocks the following year.

### **Market Outlook**

The broad factors supporting higher prices for stocks remain largely intact. The result of the election, which was likely to make equal parts of the population unhappy no matter what happened, has at least seemingly neutralized the far-left and far-right tail risk of the political spectrum, which could allow a more centrist view and set of policy initiatives to actually get some good things done in Washington-hopefully. That's the optimistic

outlook. The Republicans lost the White House but outperformed all expectations by winning seats in the House and holding on to the Senate (pending the Georgia runoff), which suggests there is no major mandate or majority that would go right to work on big policy changes.

That means as investors we can again focus on the most powerful influence in the world (not COVID)— an historically accommodative Fed and global central banks. This doesn't mean the market goes straight up; we have seen a record number of cases in each of the past four weeks, and only just now has another stimulus been agreed upon. Right now the market is concerned with mutations in COVID and the efficacy of the new Vaccines.

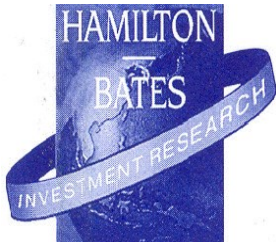
The market normally has a weak spell into mid-December, culminating with lows somewhere from Dec 15th to the 22nd. That weakness looks like its coming in now. Given the passing of stimulus, and the supportive actions of the Fed, we have conviction that although we'll have bouts of uncertainty, higher prices are head for early 2021.

### **Managed Portfolios**

Our managed portfolios did well in 2020, declining much less than 10% in the turbulent first part of the year, then recovering for solid gains the rest of the way. Our conservative balanced accounts returned 6-12% (depending on risk tolerance) so far net of fees, and growth oriented accounts have returned 15-20% net of fees. We feel good about how we handled rough seas in 2020, and we are ready for 2021.

#### **Disclosures:**

This report has been produced and compiled by Hamilton-Bates on a best efforts basis, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The investments referred to herein may not be suitable investments for all persons accessing these pages. You should carefully consider whether all or any of these are suitable investments for you and if in any doubt consult an independent adviser. This report is prepared solely for the information of clients of Hamilton-Bates and readers are expected to make their own investment decisions after consulting with their personal financial advisor and without reliance on this report.



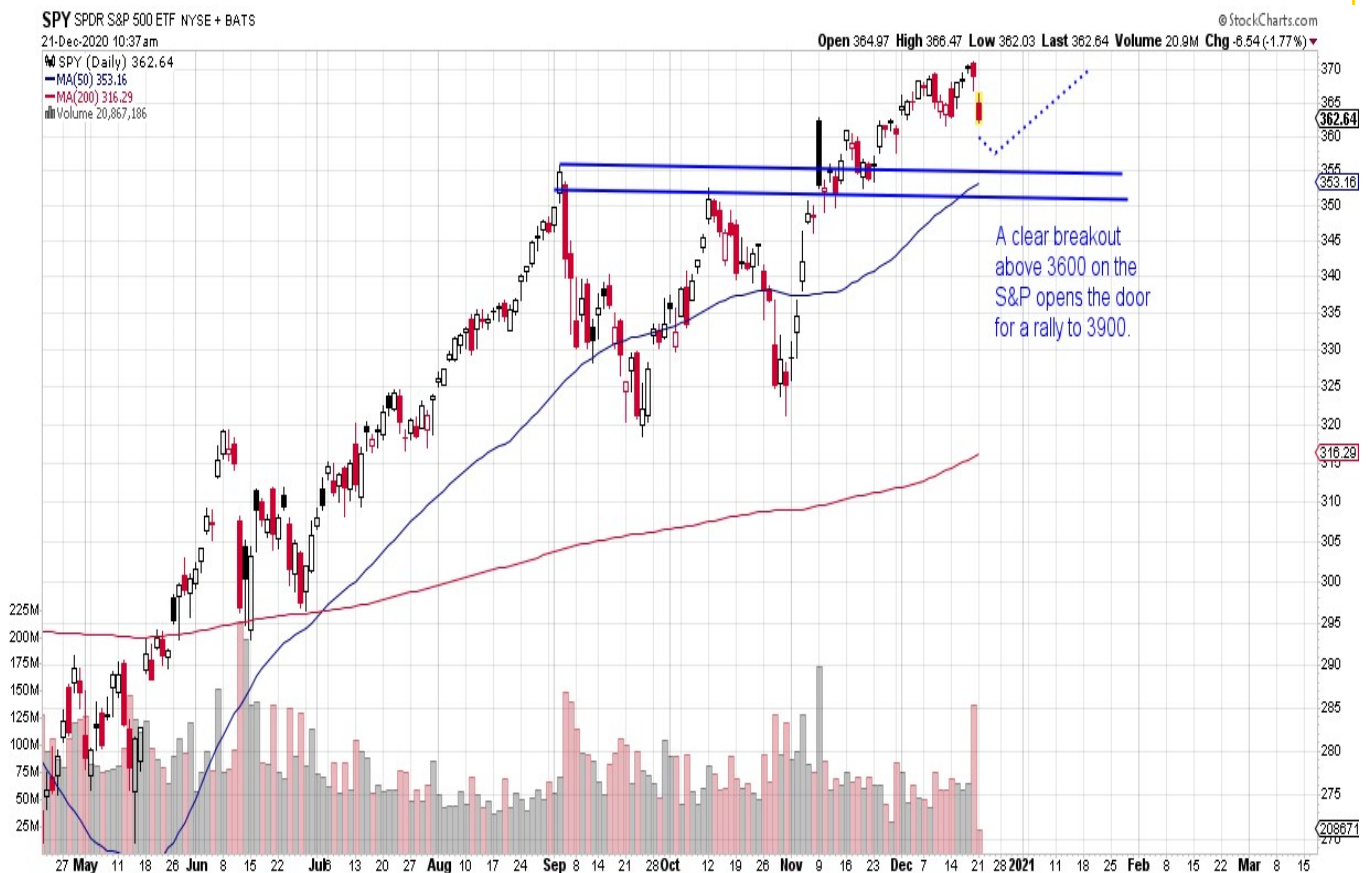
# Hamilton-Bates

## Market Update

P.O. BOX 270 Newtown Square, PA 19073 877.768.4247 www.hbir.com

### S&P 500 Chart (below)

The market moved higher pretty decisively after the election, just as we thought it might. We felt the play was to fade the move into the election (which was weakness), and the market recovered quickly once the election uncertainty was moved beyond. The pretty clear push above 3600 on the S&P has provided a breakout for stock prices, which has Happened across the board with the DJIA, NASDAQ, Russell 2000 and S&P 500 all participating. The S&P 500 chart below clearly shows this breakout and the key levels to watch. As long as the S&P stays above the breakout point (3500-3550), we expect to see higher prices with a move toward 3900 in early 2020. We look for the market to complete its weakness this week then begin to rally once again. A market break down below this (3550) level would be a sign something else is afoot.



#### Disclosures:

This report has been produced and compiled by Hamilton-Bates on a best efforts basis, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The investments referred to herein may not be suitable investments for all persons accessing these pages. You should carefully consider whether all or any of these are suitable investments for you and if in any doubt consult an independent adviser. This report is prepared solely for the information of clients of Hamilton-Bates and readers are expected to make their own investment decisions after consulting with their personal financial advisor and without reliance on this report.