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Dow Jones Industrial Avg.	30,606.48	Standard and Poor's 500	3756.07
2020 (YTD) 7.2%	4th Qtr. +10.2%	2020 (YTD) +16.3%	4th Qtr. +11.7%

"Plus ca change, plus c'est la meme chose." Jean-Baptiste Karr - French critic, journalist and novelist.
(English version – The more things change, the more they remain the same.)

No Change – The atmosphere in our nation's capital remains toxic. Many voters believed if they were able to replace President Trump we would have a chance to experience the unity promised by President Biden during his campaign. This hope has already been dashed. In spite of the declarations of our new President to be a President for all the people as well to reach out to members on the other side of the aisle in Congress, his actions contradict his words. Our new President came charging out of the gate with a flurry of Executive orders. He has already signed more than twice as many as Presidents G.W. Bush, Obama, and Trump combined during their initial 60 days. It is clear there will be no compromise on legislation pertaining to the pandemic aid package ($1.9 trillion), energy, immigration, and others. Once again, the victorious party is reminding everyone of the dictum, "Elections have consequences". It is clear Democrats are intent on pressing their advantage, so it is equally evident trench warfare will continue in Washington, especially in the Congress. The riot in our nation's capital on the day Congress was attempting to certify the Electoral College results, along with the riots during the summer in Portland, Seattle, Milwaukee, and Philadelphia, remain a threat to be repeated, unless our leaders can achieve a level of détente. President Biden has chosen to take advantage of the division within the country just as did his predecessor former President Trump rather than seek to achieve the unity he espoused during his campaign. When will the needs of the nation take priority over partisan politics? Will President Biden succeed in fulfilling his goal of unifying the nation?

Is the Stock Market Right? – Following an unnerving start in the first quarter of 2020 due to the arrival of COVID-19, the stock market staged an improbable and rapid recovery as the investment community viewed the recovery with some uncertainty. However, many sectors of the economy came to an abrupt standstill as state and local governments in many areas of the country forced the closure of "non-essential" businesses. The result was a recession, which many experts predicted would be prolonged. To the surprise of many, the economy never fell as hard as expected even though certain industries were shut down, including anything related to travel, entertainment, and restaurants. Health care and education at all levels were heavily impacted as well. The federal government quickly cobbled together two enormous rescue bills totaling $ 2.4 trillion. The primary purpose was to deliver aid and support to impacted businesses and the many individuals who suddenly found themselves unemployed, but as is to be expected they went well beyond that to assure many special constituencies received their benefits as well. Now a third enormous bill is wending its way through Congress and it appears the proposed size is an additional $1.9 trillion. The only requirement to be included as a recipient is to ask and you shall receive. Republicans, who have also shown an affinity for spending when they have control, are now posing as defenders of fiscal sanity. The next election promise Democrats are expected to address is infrastructure spending. Yes, you guessed right. The price tag is estimated to be another $1 trillion. It is unlikely Republicans will provide much resistance to this bill because most politicians see infrastructure as an opportunity to provide visible benefits to their constituents. Are you keeping track of all the trillions the government plans to spend because there has been no mention of how they expect to pay for it? The COVID pandemic has provided both political parties all the excuse they need to do what they do best, spend money, even if they do not have it.

Partners in Crime - In order to dilute the impact on the economy of this excessive spending, politicians are continuing to rely on programs implemented by the Federal Reserve Bank (i.e., FED) and the U. S. Treasury. Their multi-pronged efforts include issuing treasury debt; buying back much of that debt; continuing policies designed to suppress interest rates; and the biggest challenge of all, paying the bills as the appropriated trillions of dollars are spent. These massive expenditures have helped to prevent a potential deep recession, while the vaccines generated by Operation Warp Speed are now slowing the spread of the virus. The real shame will be if the profligate spending continues as the Administration and Congress continue to avoid covering any of the cost by raising taxes.

A Correction Due? The liquidity stemming from this excessive deficit spending coupled with the FEDs persistent easy money stance has managed to drive the stock market to record highs. It raises the question, "Are market prices too high?" Support for these higher prices flows from the many public companies which have reported earnings exceeding estimates and have provided positive outlooks as well. On the other hand, there are examples of irrational exuberance such as bitcoin and the GameStop phenomenon. Many investors are casting caution to the wind as they attempt to get rich quick. Risk is not a consideration to them.

Where to Invest? – Before committing any dollars for the latest "hot tip", investors need to determine if funds are readily available and if the investment being considered falls within their range of acceptable risk. Remember the old maxim, "Look before you leap." No investment should be made without some thought being given to what is expected from the investment and if it fits within one's risk tolerance. This basic self-examination is particularly advisable at this time for two reasons: first, stocks have done well since their dramatic dive at the end of the first quarter of last year and by traditional metrics are at historically high valuations. Second, as mentioned earlier more investors are paying little attention to risk. It is advisable to adopt a more cautious approach when frothiness reaches this level

Interest Rates on the Move? Yes, it does appear interest rates have awakened from their long slumber. Although the Federal Reserve has reiterated its long-term commitment to maintain low rates, the Biden administration in concert with the Democrat leadership in Congress have determined the pandemic depressed economy requires another major injection of stimulus to insure a full economic recovery. As interest rates have begun to rise, fixed income investors are starting to doubt the FED will be able to successfully stem the tide. Higher rates are something savers have been anticipating for years, yet this also has a dark side because it will result in an added cost for borrowers, whether they be consumers (houses, cars, appliances, etc.), businesses (new plant and equipment) or governments (huge growing deficits). Particularly troubling is many corporations, even those with sub-par credit, have been issuing considerable debt at these low interest rates, yet the added debt burden can be expected to come back and haunt many of them. What investors in bonds need to keep in mind is as interest rates rise, the value of bonds fall. Longer maturities will be more impacted. This applies to long-term bond funds as well as individual bonds.

Up Periscope - This surge of federal spending will ultimately mean higher taxes. The Democrat triumvirate of President Biden, Senate President Schumer, and House Majority Leader Pelosi have made it clear the first two targets are the richest 1% and businesses, yet does anyone believe it will stop there? In addition to all the spending either done or committed, there is still an extensive wish list headed by the Green New Deal and immigration reform. Therefore, as these discussions progress it is incumbent upon investors to be alert for possible changes to tax policy, including inheritance taxes. For 2020, individuals 72 years old and older with IRAs were allowed to forgo taking their required minimum distribution (RMD). However, this year they will be required to resume the withdrawals.

Relief in Sight? - This past week the Food and Drug Administration (FDA) approved Johnson and Johnson's one-shot vaccine. Their vaccine capacity, when combined with the first approved providers, Pfizer and Moderna will help quicken the pace toward herd immunity. Whether it arrivers in time to allow for a full tourist season here on the Cape is an open question. Nevertheless, better weather and warmer days are rapidly approaching and we are all looking forward to emerging from our dens. Get your garden trowels ready and enjoy spring! JML