AMB

Wealth

Management

Market Update

February 9, 2021

In January, the market emerged strong with the charge being led by winners of the re-opening trade (cyclical stocks highly levered to the continued re-opening of the economy). However, by the end of the month, the market surrendered its gains and finished down for the month (as measured by the S&P 500). COVID-19 continues to be a driving force among financial markets with the markets being influenced, in part, by the positive and negative pandemic stories proliferating the news media. On one hand, the vaccine rollout has experienced delays, and there are questions regarding the vaccine’s effectiveness against mutated strains. On the other hand, new vaccines are coming to market and hospitalization and death rates have declined. Overall, we perceive the vaccine news as a net positive for the recovery over the longer term.

Over the last several weeks, we have experienced the now-infamous rally in some of the most shorted names in the market. Outsized moves in stocks such as Gamestop, AMC Entertainment, and Koss came as an army of retail investors piled into them, causing prices to spike and hedge funds to cover their short positions. This created a feedback loop where buying incentivized more buying causing a sell-off in the broader market as popular long-names were sold to raise cash. We believe this sell-off was short term in nature and do not believe it should be a reason for further market declines in the future.

Other noteworthy news included the Federal Reserve reemphasizing its support for the credit markets and continued bond buying until the U.S. is back to full employment. In our view, we will not see any tightening measures in 2021 if inflation remains subdued. With Democrats capturing both the House and Senate, we believe continued monetary support is in our future.

Recent economic numbers have been mixed with housing, manufacturing, and service indicators doing well while employment numbers are still lagging. With the continued reopening of the economy, we believe the labor market will improve and regain its footing in the coming months. Recently, lockdown measures have been partially lifted in California, Illinois, and New York which should help drive further job gains in the coming months.

The new administration has proposed a $1.9 trillion dollar stimulus plan, and they look to be pushing it through without bipartisan support. Even though expectations suggest the final bill will be pared back, we believe, once the final bill is passed, it will accelerate growth. Consequently, higher growth and inflation expectations have increased the yield on long-dated bonds, with the 30-year Treasury approaching 2%. We continue to believe that small-cap and value sectors will experience positive tailwinds, barring an unforeseen negative development.

As always, thank you for your support and allowing us to help you achieve your financial goals.

Matthew J. Roach, CFA
Director of Portfolio Management

135 South Madison Ave
Thomasville, GA 31799
229-225-1500
www.AMBwealth.com