KELLEHER FINANCIAL ADVISORS

Looking Back & Looking Ahead

2020 was a truly one-of-a-kind year in many ways. In focusing on the financial markets, a lockdown-created recession met a record-breaking stimulus. The unprecedented flood of liquidity by central banks and governments, when coupled with the historically low interest rates, created a flurry of asset buying, particularly in more speculative stocks. With the discovery and widespread distribution of vaccines in late 2020 and throughout 2021, the market is sensing an economic recovery.

Over the holidays, I spent time reading forecasts for 2021 from leading economists, big banks, think tanks and others. Coming off one of the most volatile economic years in history, I was very interested to see what forecasters were predicting for the New Year. What I found was there is a broad consensus about what we are likely to see in 2021.

Currently, we are experiencing a record spike in COVID-19 cases, hospitalizations and deaths and most forecasters believe this will continue to inhibit the economy in the first half of 2021. However, most also believe the pandemic will be mostly under control by mid-year thanks to vaccinations. With that in mind, there is a near unanimous agreement among forecasters that the US economy will see a powerful rebound/expansion in the second half of this year. Economists cite the record savings rate in the middle of 2020 and pent-up demand among consumers and conclude that a powerful economic boom is all but certain as soon as we get the virus under control.

Following are some of the consensus from forecasters for the upcoming months and the impact of the past year:

Mandatory closures of non-essential businesses are widespread in Europe for the next month at least. While most health experts in the US concede the initial wave of lockdowns last year were not effective, it remains to be seen what the Biden administration will do just ahead.

While a double-dip recession is unfolding in Europe, it is uncertain what will happen in the US over the next several months. However, for many businesses and whole industries, activity never returned to anywhere near normal even when COVID outbreaks temporarily subsided last year. For these reasons I believe that the US and global economy will not be able to fully rebound until the pandemic has subsided for good.

Currently with two FDA-approved vaccines and at least two more on the way, there is hope we can contain the virus by the middle of this year. That remains to be seen, of course, but we are making rapid progress. The other good news is the parts of the global economy that can function during a pandemic are doing so. Global manufacturing has staged a V-shaped recovery as has the US housing market, thanks to shifting demographics, continued ultra-low low interest rates and consumer living preferences migrating toward the suburbs.

Most importantly, consumers are exhibiting considerable resilience. With limited spending options last year and financial aid from the federal government, household balance sheets have strengthened. As a result, most forecasters expect a strong recovery in the second half of this year. This indicates that even if there is another COVID pullback in the economy in the first half of this year, most forecasters believe there will be a strong recovery in the second half.

In regards to American households, saving habits changed dramatically in 2020 as people stayed home, ate out less and canceled travel and other plans. The personal savings rate rose to a record 33% of disposable income in the third quarter of 2020. While that rate has come down considerably since its peak, the savings rate is still well above the historical average.

It’s worth emphasizing how unusual it is to see record savings rates, much higher income growth and stronger spending growth all happening at the same time. Yet this pattern is similar in other large economies, and this may explain why so many forecasters believe global growth is well positioned for a dramatic acceleration once the virus is contained.

To ensure the economy emerges from the pandemic intact, policymakers have enacted aggressive fiscal stimulus to support individual incomes and prevent businesses from going under due to lack of revenue. Government relief remains in place in most countries and President Biden has proposed several additional stimulus packages. There is also the possibility of tax changes and if for any reason we do not get the virus under control later this year, much of the recent optimism could evaporate quickly and markets could react negatively. This is another reason for maintaining a well-diversified portfolio.

I wish you all good health and, as always, we will watch and research the global economy and make investment choices to the best of our ability for each and every client portfolio. If you have questions about your portfolio, our views expressed in this letter, or anything else financial, please do not hesitate to call.

Warmly,

Colleen Kelleher Sorrentino

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Index	% Change in Year
DJIA (TR)	+8.4%
S/P 500 (TR)	+17.7%
NASDAQ Composite	+43.6%
Nikkei Tokyo	+16.0%
China Shanghai	+13.9%
DAX Germany	+3.5%
CAC 40 France	-7.1%
FTSE 100 UK	-14.3%
Gold - $ per oz.	+24.6%
Crude Oil $ per bbl	-20.5%
RATE on 10-Year Treasury Bond	0.91%
VIX Volatility Index Change	+64.4%
YTD Through End of Year	Source: WSJ

4^{th} Quarter 2020 Markets Perspective

by Tom Burnett CFA, Vice Chairman & Director of Research

Kelleher Financial Advisors

The Performance Table disguises the 2020 investor experience. In fact, the markets provided three distinct market environments. The first period through mid-February was the calm before the storm when the equity markets slowly moved ahead. That "calm" period was broken sharply in March when the Covid-19 pandemic hit the global markets and economies. Stocks sold off sharply through April before falling into the third stage. The rally which began in May/June propelled the three major US market indexes (Dow, S/P, NASDAQ) to record historical high levels. The US market performance was led by the tech-heavy NASDAQ Composite which rose more than 43% for the year. The more traditional Indices the Dow and S/P rose just 8.4% and 17.7% respectively. Small stocks under-performed large ones as the S/P Small Cap 600 Index rose by 9.6%. The overseas markets were mixed with Asia's two main markets in Shanghai and Tokyo performing in line with the S/P 500 Index. In Europe, the Brexit uncertainty led to weaker markets in Germany, France and the UK. The US dollar was weaker all year as the Federal Reserve acted aggressively to lower US interest rates. For the year the US dollar Index fell by 5.1%.

Commodities presented a mixed picture. Gold and silver prices rose materially over the year with gold up more than 24% and silver up over 47%. Crude oil, however, fell by more than 20% for the year. Bond prices benefited from lower interest rates and the Index of 20-year Treasury bonds rose 16.4%, including price appreciation.

The performance of the VIX Volatility Index mirrored the three stages of the equity market movements. In the first stage, through February, the VIX traded as low as 11-12, before spiking up to the 55-60 level during the March sell off. Later, as the markets recovered, the VIX traded down to the mid-20's before ending the year at 22.70.

Investors who stayed the course through the uncertainties of Covid-19 and the US presidential election were rewarded but 2020 will not be remembered positively by investors and workers who suffered through a weakened economy and rising unemployment.

Kelleher Financial Advisors Events

Kelleher Financial Advisors Proud Sponsor of IlluminArt Productions 2021 Musical Review Gala

KFA was proud to sponsor IlluminArt Productions "Musical Revue" via a VIP Reception on Zoom to honor five residents who make a difference in the lives of Staten Islanders. IlluminArt Productions is a Staten Island based non-profit organization with a mission is to empower students of all ages to utilize theater as a tool to write and perform plays that illuminate critical social issues, creating conversations for positive change.

Upcoming Events

2021: Market Update & Outlook Webinar

Thursday, January 28, 2021   1PM ET

Kelleher Financial Advisors and **Starboard Advisors** have invited **Charlton "Chat" Reynders, Chairman & CEO**at **Reynders McVeigh Capital Management** to speak to our clients and friends in a webinar on this topic

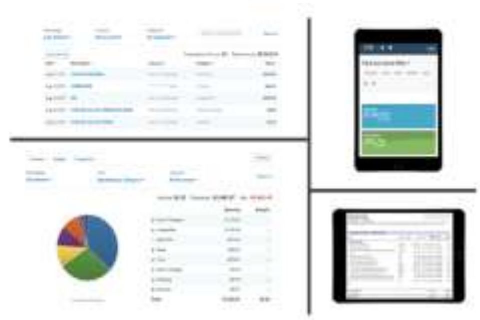
RSVP

Webinar: Kelleher Financial Advisors

February 2021

Join **Tom Burnett, CFA, Vice Chairman and Director of Research** and **Colleen Kelleher Sorrentino** as they discuss topical market issues affecting investors. We will be sending out more detailed information in the coming weeks.

For More Information



Our clients continue to use our financial planning and data aggregation software.

KFA's eMoney is secure, mobile and desktop friendly, so you can access to near-time net worth values, real estate holdings, investment account values and account information from any bank or custodian.

Contact us to learn more about this product

100 Wall Street

KFA is open for business and are able to receive phone calls, mail and faxes with no disruption. Our team is collaborating both virtually and in-person in a safe, compliant environment. We are now hosting both in-person meetings as well as being available for FaceTime, Zoom and other types of virtual meetings.

100 Wall Street, 8th Floor
New York, NY

For more information, call us at: **212-232-5685** or visit us at: **www.kf-advisors.com**
Kelleher Financial Advisors www.kf-advisors.com