



CONWAY • JARVIS LLC

Investment Outlook

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Update

Investors Remain Focused on the Relevant

When we last left you, the R & R crowd (Reddit and Robinhood) had roiled the stock market, launching several hedge funds and brokerage entities into existential crisis. Politicians were predictably incensed and promised to punish those that were manipulating the stock market with another round of regulations. That fiction distracted them from their immediate task to dispense \$1.9 trillion in stimulus to a waiting audience. Jumping ahead, the short squeeze has unwound, leaving some hedge funds licking their wounds along with a number of novice retail investors who mistakenly thought making money in a trading frenzy was easy.

The politicians? They quickly moved on from the casino/market brouhaha to ratify the stimulus package. Next up? Trade policy? Fiscal Policy? Stepping up vaccination rates? Apparently not. The first priority for Congress is the impeachment trial of a former president. Investors and the markets *could not care less* as evidenced by the market's advance and a blink-and-you'll-miss-it level of coverage in the financial media. You'll have to turn to CNN and Fox if you're interested in that type of entertainment. We're awaiting the start of work on more important matters affecting the rebuilding of the economy. Stimulus is *life support* for Main Street but we're looking for evidence of more substantive measures that will keep the recovery advancing on a sustainable growth trajectory.

In an otherwise quiet week, we've seen new record highs for the benchmark averages, buoyed by better-than-expected earnings from a number of market leaders. There's also anecdotal evidence of a shrinking virus caseload despite the reported scarcity of vaccine in metropolitan areas. That good news was tempered a bit by Fed Chairman Powell's comments regarding the possible deferral into next year of seeing the return of a healthy labor market. The vaccination rate and spread of the virus are likely to outweigh monetary and fiscal measures in steering what is a fragile economy on a lengthy path to recovery. However, it appears we're on track to see a return to pre-COVID levels of growth this year. We have no doubt the Fed will hold its course but, if this week is any indication, we're less confident that Congress and the Administration will proceed carefully and avoid disruptive changes in fiscal policy that might alter that outlook. Enjoy the holiday weekend and Stay Tuned.

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