



## The Month in Review

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### January Takeaways

- *Equities may have been down a bit in January, but are in no way out.* According to the Stock Trader's Almanac, as goes January, so goes the year. It has several different iterations, but I am attracted to the version focusing on small cap stocks. The story here is that small caps tend to out-perform larger companies in January, which is precisely what we witnessed last month.
- *The Russell 2000 continues to outperform in 2021.* While larger companies stumbled at month's end, small caps continued their winning ways, returning an impressive 4.85% for the month just ended. This compares favorably to losses in the Dow Jones Industrial Average of -2.04% and a -1.12% loss in the S&P 500. Since most of our managed assets are still in the small cap space, I will take that any day!
- *Upbeat earnings, fiscal stimulus and movement on the vaccine front are fueling optimism over the prospects for improving conditions in 2021.* With the earnings season now underway, approximately 75% of companies have beat 4Q2020 estimates. Forward earnings estimates also show the economic recovery continuing as well. When we examine the valuations on larger companies, our proprietary model [Relative Value](#) suggests they are under-valued at current levels. A new model we built for the Russell 2000 also suggests this index has plenty of room to grow.
- *The street is fixated on a new round of fiscal stimulus.* You can almost track the risk on/risk off sentiment in the equity markets just by monitoring the daily headlines. I am still undecided as to whether sending another round of checks out across the board is fiscally responsible. Many people who are smarter than I am also make reasoned arguments for and against this course of action.
- *The COVID-19 vaccine distribution is speeding up in many states after a bumpy start.* It sounds like the vaccine manufacturers have started to send the shots directly to pharmacies, sidestepping some of the distribution messes encountered during the initial rollout. We are not out of the woods yet, but perhaps this move will prove to be a game-changer. That is "game-changer," not Game Stopper (not going there, as that one is not going to end well!).
- *A few final thoughts.* Wouldn't it be nice as we move into a new year to try substituting faith in each other for fighting with each other, virtue instead of vindictiveness and a little more patriotism and less politics in our lives? Might just make 2021 a good year after all! However, I could be wrong. More next month. *Stay tuned!*

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