

**Q4 2020 CAPITAL MARKETS UPDATE**

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# President's Perspective

# 2020: A Year of Records

For many, the year 2020 could not end quickly enough. The U.S. election and quest to find a COVID-19 vaccine dominated the headlines throughout the year.

As scientists learned more about the transmission of the virus, state governments formulated various strategies and companies across the U.S. gradually reopened. Positive news on vaccine advances helped GDP in the 3rd quarter rebound by more than +33%, up from its worst-ever drop of -31.4% in the prior quarter. At the end of December, the FDA approved two different COVID-19 vaccines for emergency use. These events provided a renewed hope that the global economy could reopen sooner than previously expected and helped the Dow Jones Industrial Average, S&P 500, and Russell 2000 Indices reach new all-time highs. Small-cap stocks were the best performing U.S. market cap index for the quarter, followed by mid and large-caps, respectively. WTI oil also reached a 9-month high of \$50 a barrel as the world reached another step closer to the global economy reopening.

While it seemed like things were moving back to normal economically, the disconnect between strong stock market performance and a weak economic recovery continues as significant economic problems remain. The U.S. unemployment rate remains stagnant at 6.7% as many workers still attempt to regain their footing after being displaced due to the pandemic. Unfortunately, U.S. Non-farm payrolls lost 140,000 jobs in December, making it the first loss since the economy shed almost an unthinkable 21 million jobs in April alone. The continued trend of slowing growth even compelled Congress to pass a stimulus relief bill for those impacted the most by the pandemic. The new administration is also considering an additional stimulus bill for Americans early in 2021.

## COVID-19

The FDA approved a COVID-19 vaccine for emergency use developed through a collaboration between Pfizer and BioNTech. The U.S. government provided resources to vaccine manufacturers to begin proactively producing vaccine candidates. Thus, manufacturers created an inventory and began shipping the premade doses around the U.S. within hours of the FDA's formal approval. The next day, medical facilities received and began administering the vaccine to front-line workers and those in assisted living facilities. Ironically, on the first day of vaccinations, the U.S. crossed 300,000 fatalities from COVID-19, as the country averages roughly 200,000 new contractions each day. On a positive note, Moderna's COVID-19 vaccine was the second to

be approved for emergency use by the FDA. This vaccination provides an efficacy rate of up to 95%. Oxford-AstraZeneca's vaccine candidate may delay submission for FDA review in the spring of 2021, but is currently being used in the U.K. These vaccines will help provide the medical community with a portfolio of available medicines that fight the virus differently. To date, the virus is responsible for the deaths of more than 368,000 Americans and 1,900,000 lives worldwide.

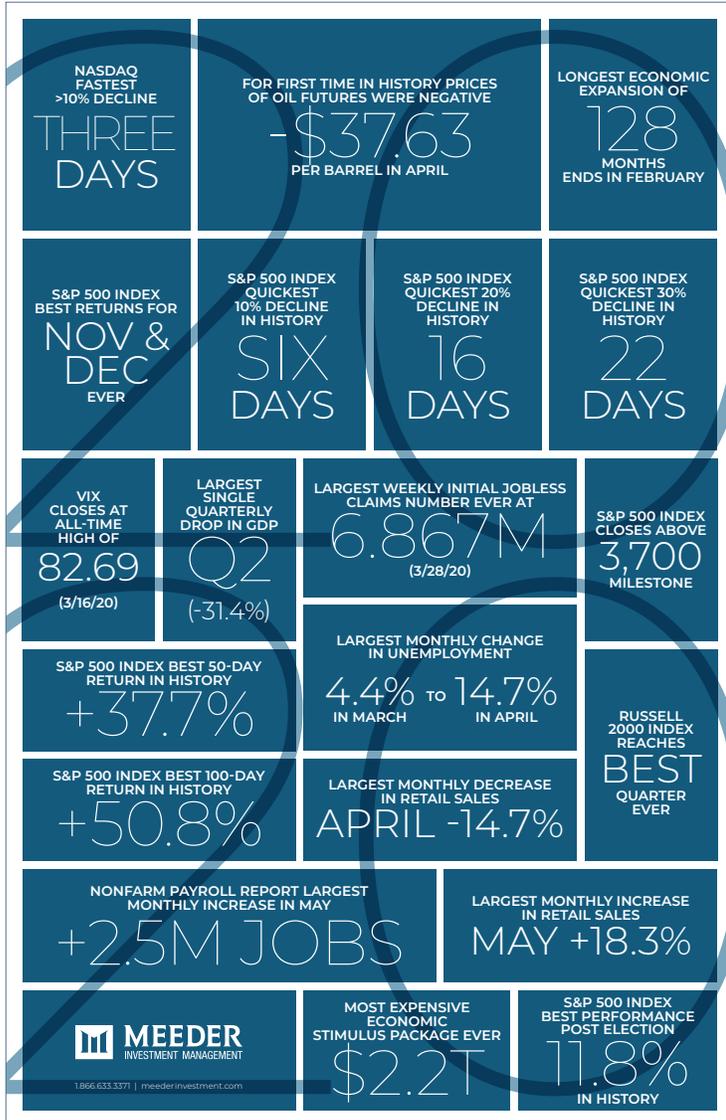
## FEDERAL RESERVE

The Federal Open Market Committee held its meeting in December and kept interest rates near zero. The committee also committed to purchasing a minimum of \$120 billion of bonds each month until the economy reaches full employment and inflation expectations. They issued a statement saying, "these asset purchases help foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses." The Fed stated that they would consider many items when determining their outlook, including the global pandemic, labor markets, inflation, and international events. As it stands, a survey of Fed officials revealed the group is committed to keeping rates near zero through 2023.

## ELECTION 2020

Joe Biden will be inaugurated as the 46th President of the United States as the electoral college officially certified their votes, providing him with more than the 270 votes needed. Democrats will maintain control of the House of Representatives, but their majority decreased from 38 seats to 10. On January 5, Democrats won both of Georgia's runoff races. These seats now split the Senate in a 50-50 tie between both parties but gives the incoming Democratic Vice President the tie-breaking majority. Stock market returns have historically been higher with a split Congress, which usually leads to less sweeping policy changes. However, performance of the S&P 500 when Democrats have maintained control of the White House and Congress are still above average.

There was a record amount of money spent during this election cycle. The nonpartisan Center of Responsive Politics estimates that the Congressional and Presidential campaigns for the November 2020 elections spent \$10.8



billion. Campaigns allocated more than \$1 billion to television campaign ads, with \$882 million of the total directed to six key battleground states. Despite the record amounts spent by both campaigns, expected market volatility followed a somewhat similar pattern to past elections and rose significantly. This year, the CBOE Volatility Index (VIX) spiked more than 50% during the three months ahead of the election.

### BREXIT TRADE DEAL OFFICIAL

In 2016, citizens of Great Britain voted to leave the European Union. Since then, details and logistics of the move prevented this transition from occurring. The event was officially ratified on January 31, 2020; however, Britain agreed to adhere to the E.U.'s terms to finalize the agreement until December 31, 2020. Citizens of Great Britain who travel to the European Union will now need to provide similar documentation as Americans. From a business perspective, the most critical detail in the agreement is that the two entities established a trade deal with no tariffs and no quotas. Thankfully, this resolution is one less thing that investors need to worry about in 2021.

### A NEW YEAR

The events of 2020 made history for our country and in the markets that we will likely not forget. Despite all the twists and turns, I want to take a moment to congratulate everyone for navigating through one of the most turbulent market environments ever. It is essential to reflect on what an historic year it has been and all that we have accomplished together in such an unusual time. On behalf of all of us at Meeder Investment Management, I would like to wish each of you a happy, healthy, and prosperous new year.

Sincerely,

**ROBERT S. MEEDER**  
PRESIDENT AND CEO



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