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Market Insights

A periodic newsletter from Idaho Trust Bank

Major stock indices staged a very strong rebound from the sharp decline experienced in the beginning of the year as investors anticipate a successful approval of a vaccine as well as a sharp increase in economic activity in the summer months. Currently, some areas are experiencing an uptick in Coronavirus cases and the economic recovery has been very uneven. Although there is much optimism surrounding a vaccine for the virus, the timeline for the rollout of the vaccine is uncertain as many logistical challenges have emerged.

Government Spending & The Fed

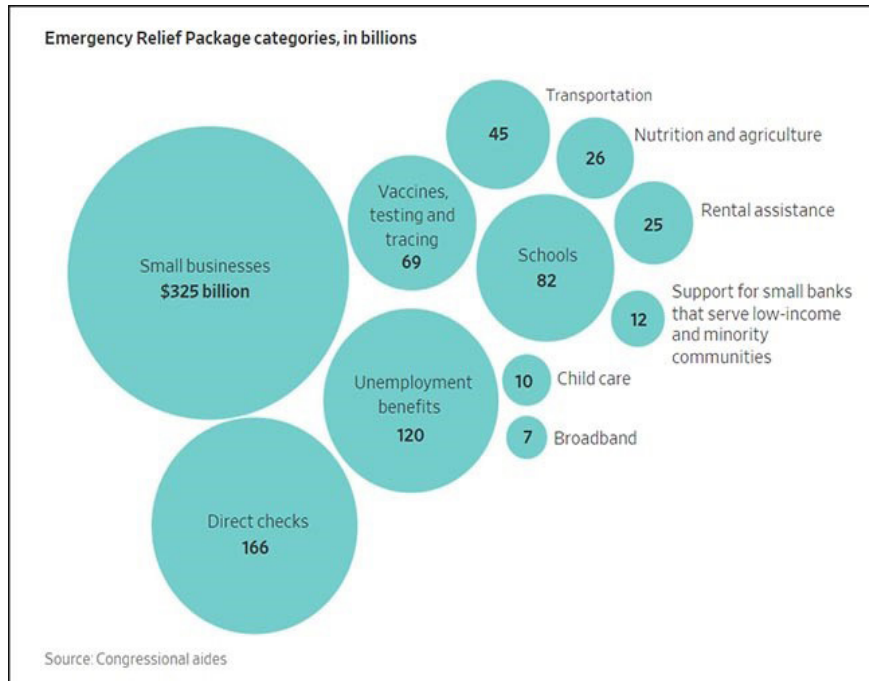
In late December, President Donald Trump signed a \$900 billion pandemic relief bill into law that includes enhanced unemployment benefits and direct cash payments to individuals. The measure is the second-largest federal stimulus package after the \$2 trillion CARES Act that Congress approved in March. Lawmakers passed the bill, just in time, as several aid programs in the CARES Act were set to expire, including pandemic jobless assistance measures and eviction protections.

The package sends direct stimulus payments of \$600 to individuals, half the amount provided in the first round of checks, which went out in the spring. The jobless will receive a \$300 weekly federal enhancement in benefits through mid-

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. LifeNeeds™ utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust Bank's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

March. The amount is half of the earlier federal boost, which ran out at the end of July.



Also, the package extends two other pandemic unemployment programs that were created in the CARES Act. The Pandemic Unemployment Assistance program initially expanded jobless

benefits to gig workers, freelancers, independent contractors, the self-employed and certain people affected by the coronavirus for up to 39 weeks. The Pandemic Emergency Unemployment Compensation program provided an additional 13 weeks of payments to those who exhaust their regular state benefits.

The package also continues full federal financing of extended benefits through mid-March, providing up to 20 additional weeks of payments depending on a state's unemployment rate. Fewer than two dozen states now offer extended benefits because of the improving economy.

The package reopens the Paycheck Protection Program so that some of the hardest-hit small businesses can apply for a second loan. This round of loans will have stricter limitations on qualification. The package does not contain any direct aid to state and local governments, dropping an initial call for \$160 billion in assistance.

At its most recent meeting, the Federal Reserve Bank (Fed) decided to keep interest rates unchanged. The target range of the Fed funds remains at 0.0% – 0.25%. Additionally, the Fed has continued its bond purchase program, which has helped push mortgage rates to exceptionally low levels and helped to boost the housing market.

Looking ahead, the Fed members have signaled that they do not expect to see a change in interest rates any time soon. All 17 members of the FOMC agreed that the Fed shouldn't raise rates this year or next. A strong majority were still against any rate hikes in 2023. The Fed has made it clear that it intends to do whatever it can to help the economy and indicated that it will take a more lenient attitude towards inflation.

Year-end Review

The U.S. indices experienced strong equity market gains in 2020. The S&P 500 index rose 18.39%, including dividends last year. The gains are much stronger when measured from the March lows. Many factors likely contributed to these exceptional results, such as, a more accommodative Fed policy position as well as hopes that a vaccine would help to mitigate the impact of the Coronavirus.

Of the major U.S. indices, the Nasdaq Composite, which contains a large portion of technology companies have had the strongest returns of the major indices, up 43.89% last year, as many of these companies benefit from Covid related restrictions imposed around the globe. Emerging Market rose 18.31%, as they have great exposure to cyclically oriented economic activity.

Conclusion

Given the large number of unknowns surrounding coronavirus, it is likely that volatility levels will remain high going into the spring. The economic outlook is very challenging for many areas of the economy, such as the Travel & Leisure industry. The ultimate path of the COVID-19 spread remains unknown in the coming months and the path to vaccinate the population has logistical challenges. Therefore, markets could be volatile in the near-term. However, we believe that the long-term investment outlook has improved with a stronger economic picture next year.

2020 Market Returns

Broad Market Returns	
S&P 500	18.39%
Dow Jones Industrial Average	9.72%
Nasdaq	45.06%
Russell 2000 - small cap	19.93%
MSCI EAFE	7.82%
MSCI Emerging Markets	18.31%
US Bond Index	7.51%
Treasuries	8.00%
Corporate Bonds	9.89%
Municipal Bonds	5.21%
Foreign Bond Index	11.16%
Commodities	-3.12%
Domestic Stock Sectors	
Information Technology	43.89%
Financials	-1.76%
Health Care	13.45%
Energy	-33.68%
Consumer Discretionary	33.30%
Consumer Staples	10.75%
Industrials	11.05%
Utilities	0.52%
Materials	20.73%
Telecommunication Services	23.61%
Real Estate (REITs)	-2.17%

S&P 500 Index

3 Month	12.14%
Year-to-Date	18.39%
1 Year	18.39%
3 Year	14.16%
5 Year	15.19%

MSCI EAFE Net Index

3 Month	16.05%
Year-to-Date	7.82%
1 Year	7.82%
3 Year	4.28%
5 Year	7.44%

Barclays Aggregate Bond Index

3 Month	0.67%
Year-to-Date	7.51%
1 Year	7.51%
3 Year	5.34%
5 Year	4.43%

As of 12.31.2020

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