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Letter from Dan

I am happy to tell you that you can now [watch](#) or read my mid-quarter letter at your convenience! We are glad to give you the choice of your preference!

In my last Letter, we wondered about a new business shutdown, new government stimulus and the spreading of the virus. As Brad McMillan has reported in his latest Coronavirus update, there has been a marked improvement toward controlling the spread of the virus and hospitalizations are down 30% over the past two weeks. All good news! Businesses are reopening slowly as more and more people are receiving a vaccine. But he also stated a possible risk- a variant of the virus and how it could derail the recovery.

The next round of stimulus is taking shape. President Biden and the Democrats in Congress will be able to pass a bill which will allow them to pass a \$1.9 trillion bill with only a simple majority in the Senate. What do we expect to be in the bill? \$ 1,400 per person, phasing out for taxpayers who earn \$ 75,000- \$150,000 for couples filing jointly. If you make over \$100,000, or \$ 200,000 per couple, you will not receive any this time around. More money for struggling businesses, the aviation industry, public transit and money to help rollout vaccines, masks and continued testing. What won't be in it? The \$15 minimum wage will probably not make it, as it may cause too many layoffs. No new taxes for now, but they are coming.

The stock market is anticipating an acceleration in the economy and is around all time highs. With the big influx in cash through government stimulus, consumers can spend freely- shown by soaring retail sales in January. Will it be enough to keep the stock market from falling? Probably- in fact, enough to keep it moving up..... for now.

Another target for the extra cash is..... the stock market. You most likely have heard about GameStop stock and its roller coaster ride up and then down. Will the entire market follow? No, this was a very different story, but part of its origin is that small investors are investing in a large manner and it can push markets higher. They have discovered the excitement of the stock market "casino", and it probably will not go away until the extra cash in their pockets go away.

What areas of the stock market will lead? There a mixed message out there- industrials have lagged, so they have opportunity to rise. Banks will benefit from higher interest rates. I think that international stocks and mid and small company growth stocks may benefit from a falling value of the dollar and continued innovation in the genomics and robotics industries.

Interest rates are slowly climbing, but the Fed is holding steady with short term rates. The higher the mid and long term rates rise, the more the government deficits will hurt. It will be a tough balancing act for President Biden and Congress to try to stay ahead of the rising debt, while keeping their constituents happy.

We are not afraid of any big stock market drop in the next months, if we stay ahead of the virus and move toward herd immunity. But we will need to take measure as signals come for next year and how high we go. The stock market will not keep increasing forever, so we need to stay diligent and diversified.

Dan



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