MINK WEALTH MANAGEMENT
LEGACY & RESPONSIBILITY TO FAMILY

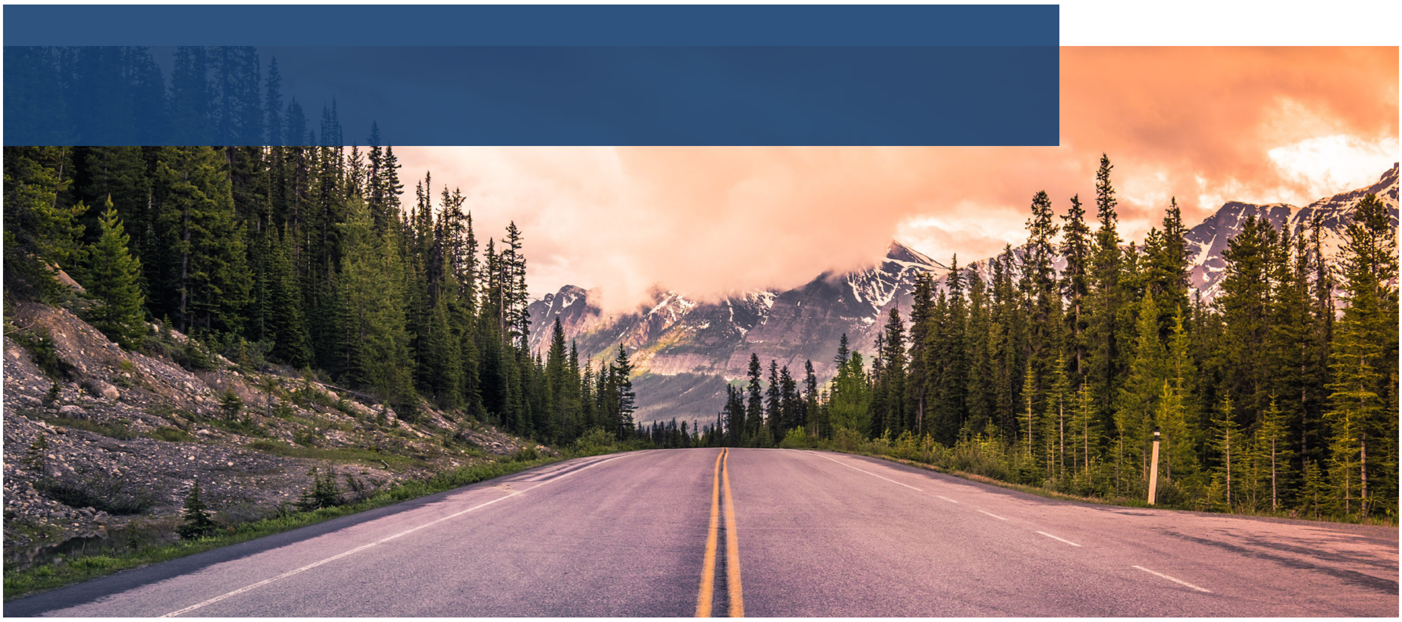
MACRO MUSINGS

February 24, 2021

Strong Data Paves The Way for 2021

Rush Zarrabian, CFA®
Corbett Road
Managing Partner, Portfolio Manager

MINK WEALTH MANAGEMENT
LEGACY & RESPONSIBILITY TO FAMILY

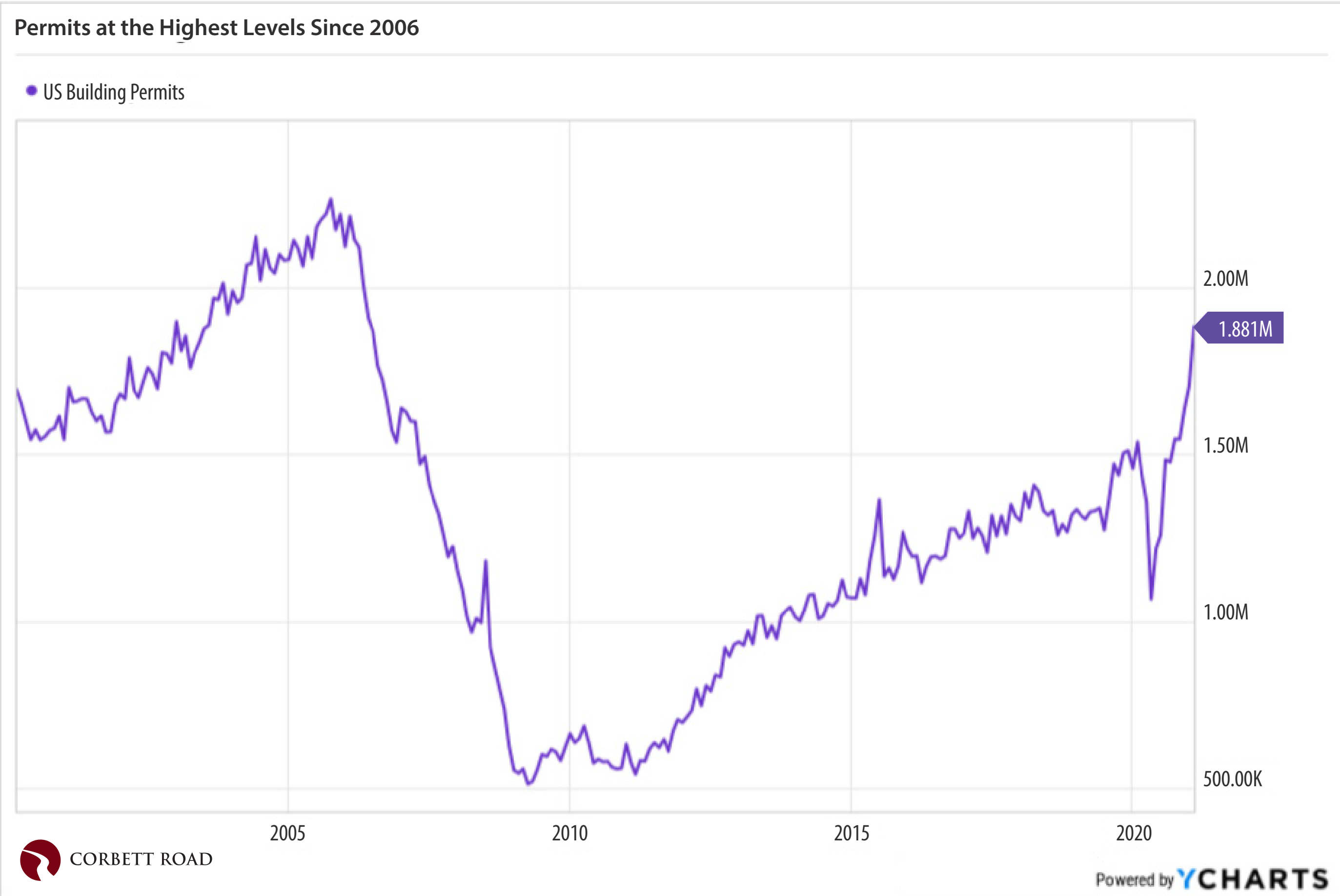


SUMMARY

- The latest economic data continues to exceed expectations. The most recent numbers on auto sales, building permits, and retail sales remain robust as the economic recovery progresses.
- Bubble talk in markets has been pervasive lately. While there are signs of exuberance in areas like cryptocurrencies, initial public offerings (IPOs), and clean energy, a study of historical market returns suggests that recent performance in these markets is still nowhere near previous levels associated with market bubbles.
- The new bull market may just be getting started. An analysis of 20% gains in the market following steep declines suggests this bull market is still young—both in duration and potential performance.

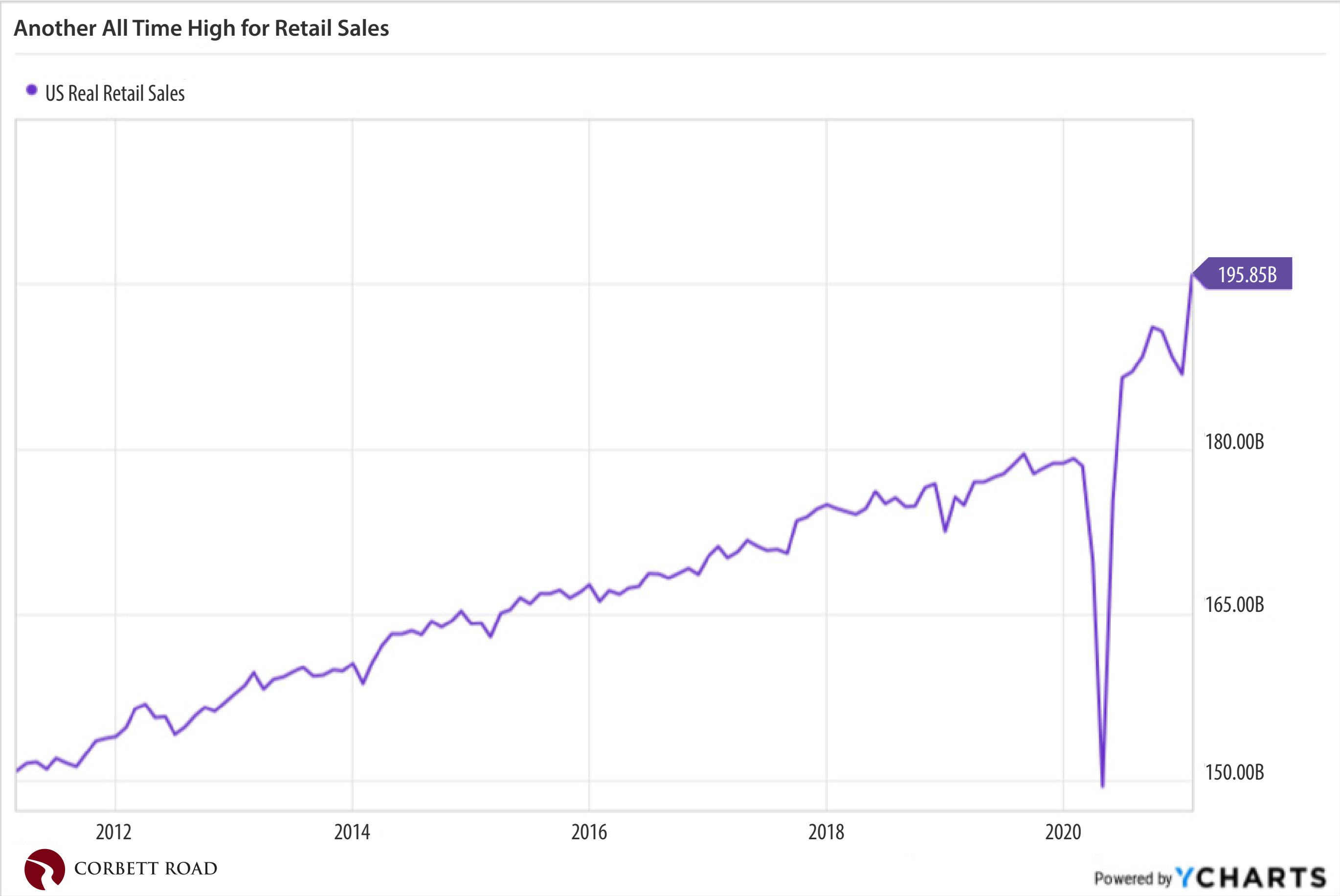
LATEST ECONOMIC DATA HIGHLIGHTS
A BUOYANT ECONOMY

Economic data continues to come in better than expected—most notably, in the housing market. Low rates and a limited supply of inventory have led to a boom in construction. Building permits have surged over the past few months and are now at the highest levels since 2006.



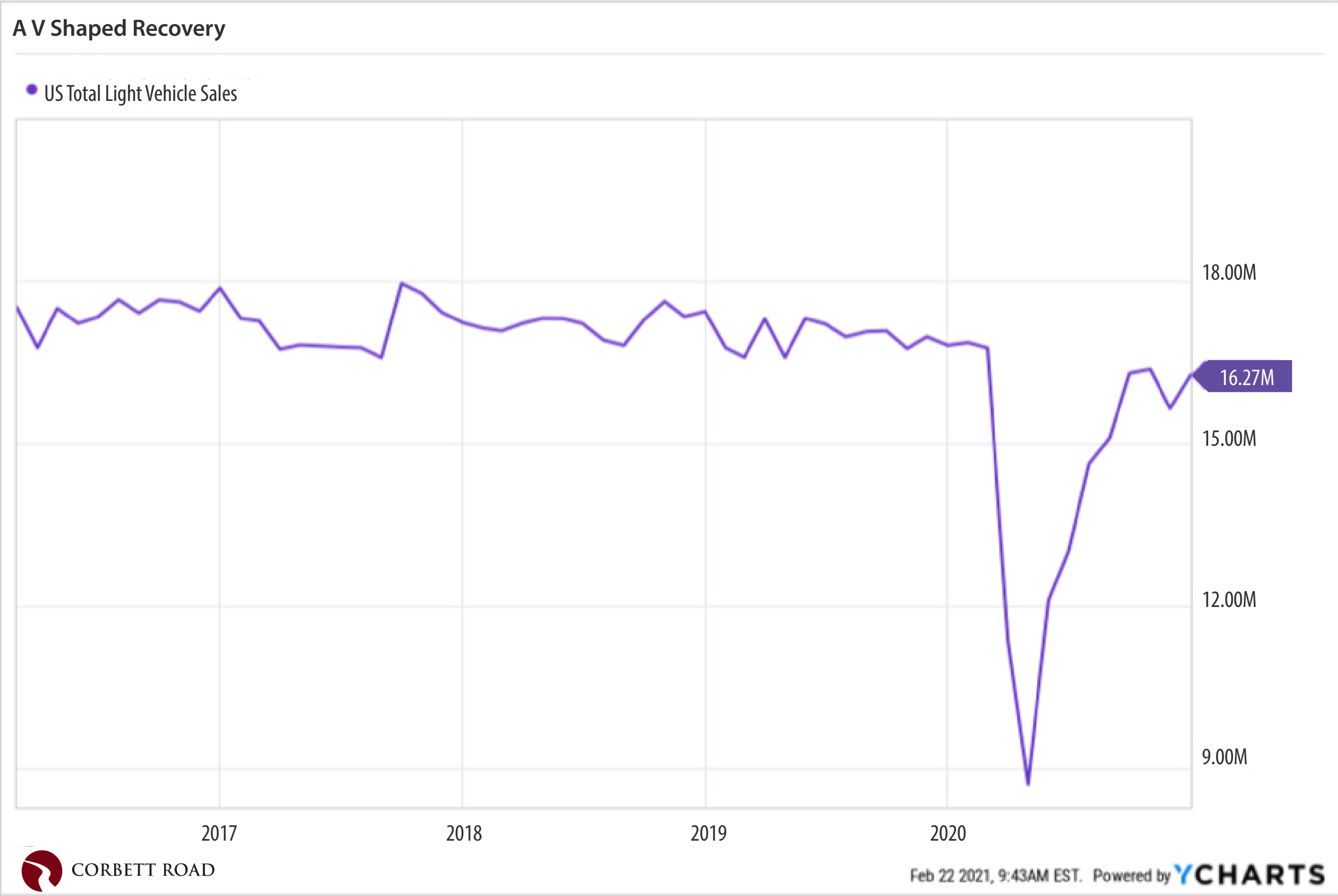
Please see important disclosures at the end of this article

Meanwhile, after a brief pullback last fall, Retail Sales have reclaimed another all-time high:

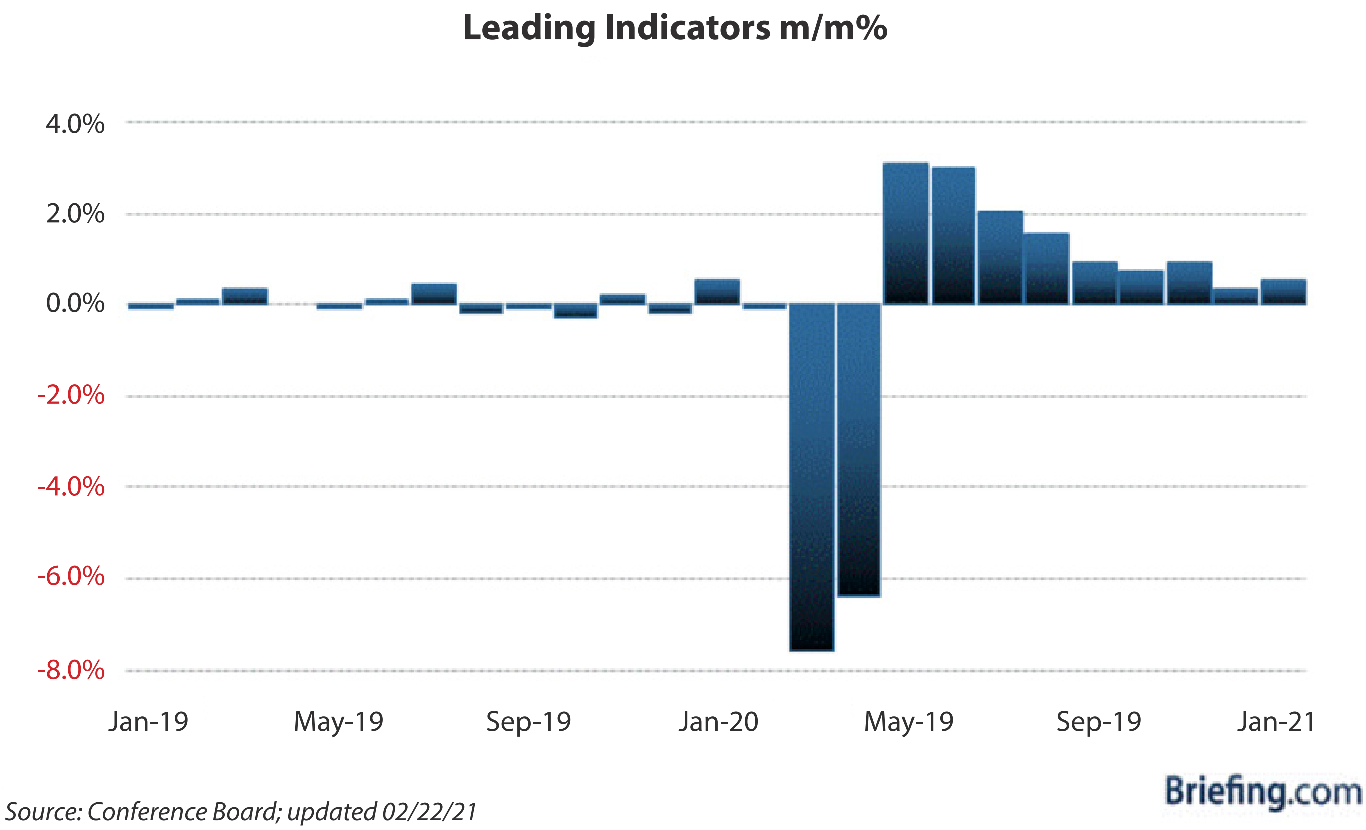


Please see important disclosures at the end of this article

Auto sales, while still below pre-pandemic levels, have also experienced a V-shaped recovery after collapsing last spring:



All of the above have contributed to an unprecedented streak in positive readings in the Conference Board Leading Economic Index® (LEI), which rose in January for the ninth consecutive month (chart from Briefing.com):



While the month-to-month change should continue to level off, we expect it will remain mostly positive. Progress on the vaccine front, another large fiscal relief package, and continued support from the Federal Reserve are all positive contributors to an economy that is already showing incredible resilience. 2021 is shaping up to be the best year of economic growth in decades.

This bodes well for the stock market. It is rare to see significant market declines when the economy is strong (chart from Goldman Sachs):

Exhibit 48: Odds of Various S&P 500 One-Year Total Returns During US Economic Expansions

Investors enjoy high odds of a positive return and a greater likelihood of large gains when the economy is expanding.

Data as of December 31, 2019.
Note: Based on data since 1945.
Source: Investment Strategy Group, Bloomberg.

Please see important disclosures at the end of this article

IS THE MARKET IN A BUBBLE?

HISTORICAL RETURNS ANALYSIS SUGGESTS NOT

Market bubbles typically form when an asset class or sector has seen years of consistent performance with returns well above historical averages. We recognize that niche areas of the market have seen bubble-like behavior, such as cryptocurrencies, clean energy, and some IPOs; but in every market cycle, there are always signs of froth if you look closely. From our perspective, recession-threatening bubbles typically occur at the broader market level. Below we examine several different markets and analyze whether recent returns constitute bubble-like behavior.

Let's start with the S&P 500. Since the bear market bottom on March 23, 2020, the index is up over 75%. However, if you start a month earlier, just before the crash, the market is only up ~17%. While still an excellent return, it's hardly historic.

What about over a longer time horizon? From 2018 through 2020, the market returned approximately 14% annually, above the historical average of 10%. Again, while above average performance, it still pales in comparison to the late 1990s when the market's 3-year annualized return was more than double that! In fact, from 1995 through 1999, the S&P 500 was up more than 20% every year.

It's not even the best 3-year return over the past decade. From 2012 to 2014, the market was up an average of 20% per annum!

How about other asset classes? The results there are less impressive. Over the past three years, emerging markets have averaged positive gains of about 6%, and developed international markets like Europe and Japan have averaged a paltry 4%.

Again, this is not to discount froth in certain areas of the market, nor do we deny how impressive the market's performance has been in the past 11 months. We just want to acknowledge that longer-term returns haven't been as remarkable as you might think.

Please see important disclosures at the end of this article

IN FACT, THIS BULL MARKET MAY JUST BE GETTING STARTED

After the big rally since March, what happens next? An analysis of previous new bull markets suggests the latest gains may have room to run (Table from Nautilus Research):

Study of 20% Declines Followed by 20% Rallies

SPX 20% Uptrend Study

Trough Dates	Peak Dates	Magnitude (%)	Duration (days)	Duration (years)
12/4/1987	3/24/2000	582.15%	3109	12.34
3/9/2009	2/19/2020	400.52%	2756	10.94
1/3/1950	8/2/1956	198.56%	1651	6.55
10/3/1974	11/28/1980	125.63%	1555	6.17
7/23/2002	10/9/2007	96.21%	1313	5.21
8/12/1982	8/25/1987	228.81%	1274	5.06
10/22/1957	12/12/1961	86.35%	1042	4.13
6/26/1962	2/9/1966	79.78%	913	3.62
5/26/1970	1/11/1973	73.53%	665	2.64
10/7/1966	11/29/1968	48.05%	516	2.05
3/23/2020	2/4/2021	73.05%	220	0.87
9/21/2001	1/4/2002	21.40%	72	0.29
11/20/2008	1/6/2009	24.22%	30	0.12
	Average	156.79%	1163	4.62
	Median	86.35%	1042	4.13

Source: Nautilus Research

CORBETT ROAD

Past bull markets averaged gains of more than 150% and lasted an average of nearly five years.

Furthermore, bull markets seem to be getting longer. Four of the top six lengthiest have occurred since 1982.

Please see important disclosures at the end of this article

CORRECTIONS WILL HAPPEN

While we do not believe the market is in a bubble right now, and we expect the rally to continue, that does not mean there won't be corrections along the way. On average, the market pulls back at least 5% several times each year, at least 10% almost once a year, and at least 15% every few years. Periodic declines in the market are often necessary to temper expectations and allow a bull market to reset, and hopefully, continue for many years to come.

Despite our overall positive outlook, we can reasonably expect a market pullback to occur at some point this year. However, absent a recession, it is highly unlikely we experience a decline of similar magnitude to last year's or even Q4 2018, when the market dropped just shy of 20%. We believe continued economic growth, favorable monetary policy, and vaccinations provide strong tailwinds in the months ahead.

TAX FILING DEADLINE IS RIGHT AROUND THE CORNER

Don't forget to meet with your tax professional (if needed) or make your IRA contributions before the deadline.

IMPORTANT DISCLOSURES

The chart(s)/graph(s) shown is(are) for informational purposes only and should not be considered as an offer to buy, solicitation to sell, or recommendation to engage in any transaction or strategy. Past performance may not be indicative of future results. While the sources of information, including any forward-looking statements and estimates, included in this (these) chart(s)/graph(s) was deemed reliable, Corbett Road Wealth Management, Spire Wealth Management LLC, Spire Securities LLC and its affiliates do not guarantee its accuracy.

The views and opinions expressed in this article are those of the authors as of the date of this publication, are subject to change without notice, and do not necessarily reflect the opinions of Spire Wealth Management LLC, Spire Securities LLC or its affiliates.

*All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. **macro**cast™ and **micro**cast™ are proprietary indexes used by Corbett Road Wealth Management to help assist in the investment decision-making process. Neither the information provided by **macro**cast™ or **micro**cast™ nor any opinion expressed herein considers any investor's individual circumstances nor should it be treated as personalized advice. Individual investors should consult with a financial professional before engaging in any transaction or strategy. The phrase "the market" refers to the S&P 500 Total Return Index unless otherwise stated. The phrase "risk assets" refers to equities, REITs, high yield bonds, and other high volatility securities.*

Spire Wealth Management, LLC is a Federally Registered Investment Advisory Firm. Securities offered through an affiliated company, Spire Securities, LLC, a Registered Broker/Dealer and member FINRA/SIPC. Registration does not imply any level of skill or training.

MINK WEALTH MANAGEMENT

LEGACY & RESPONSIBILITY TO FAMILY

Mink Wealth Management
8381 Old Courthouse Rd., Ste.211
Vienna, VA 22182

Phone: 888.788.6465
email address goes here
www.minkwealth.com

THANK **YOU**