DJ IA	Nasdaq	S & P 500	Russell 2000	MSCI EAFE	Crude Oil	Euro	10 yr Treas.	Fed.Fund Rate	Prime Rate
30,606.48	12,888.28	3,756.07	1,974.86	9,360.56	48.52	0.8186	0.93	0.00-0.25	3.25

Money Manager Newsletter
December 31, 2020
Investment Consulting Group, Inc.

"The Worst Crime Against Working People Is A Company That Fails To Make A Profit"
Samuel Gompers

Don't Blame The Fed For Low Rates

Neel Kashkari, Minneapolis Federal Reserve President cast votes on the Federal Open Market Committee when the Fed took unprecedented steps to bolster the economy during the pandemic, he also held a summit on racism in the economy. Why? Because the Fed, in order to read the economy correctly needs to look at disparities across all sectors. He said, I don't know that we have created a problem. Our job is to achieve our dual mandate of stable prices and maximum employment. We still have 10 million Americans out of work compared to January 2020. And, inflation is below our 2.0% target (November 1.2%). If we raise interest rates to keep the stock market from going higher then unemployment will stay higher. That's a lousy trade. The fed controls short term rates but the global economy sets interest rates over the long term. Broader macroeconomic forces, such as the balance between savings and investments, demographics, and technology development is where the struggle occurs. If we just raise rates because that "feels" normal that would force the economy back into a recession. It would keep workers on the sidelines that would hurt pension funds . Neel said, I applaud Jay Powell for leading us aggressively in March when the economy shut down and a real risk of a full-blown financial crisis. The banks said look how resilient we were during the COVID-19 crisis. That's misleading. How did people pay their car payments, rent, mortgage, credit card bills? If congress wasn't generous the losses would have been borne by the banks. The banks are disingenuous. There are two sectors of the economy: one where you and I work, and the restaurant sector, which shut down. Previously we support the workers in restaurants by going. So in a way they are the consumers employees. Now we aren't going, incomes have gone to zero, and our savings have gone up. When you and I save more money we put it in the bank and that goes into the bond market, then our domestic savings has the capacity to support workers. The fact that our national savings rate went up in the crisis shows there is a pool of excess savings to support workers laid off. A way to heal the country's political division is education of our children, another is rural broadband. Every American should have access of high speed internet. Also, a reformed immigration system. After we get this pandemic behind us we will need more workers to feed our economy. Barron's 12/28/2020

Making money has never been an end goal. Yes, my success has helped me and my financial security, but it's not to be a goal to charge high fees but to charge fees to support a successful business and provide clients with financial security to preserve more of their money. Donald Stanforth—Investment Consulting Group, Inc.

12/31/2020	Current P/E	VS	20 Year Avg. P/E
	Value	Blend	Growth
Large	17.9/13.7	22.3/15.4	31.2/18.5
Mid	18.2/14.3	22.6/16.2	39.3/20.2
Small	18.0/16.8	30.1/20.9	76.2/38.4

Emerging Markets—William Blair Emerging Market Growth Fund

Back in the mid 1990's and 2000's, the investible universe boiled down to Indonesian noodle manufacturers and Chinese cement companies. A few decades later, emerging markets are home to some of the world's most innovative technology companies and growing consumer class. Much of the fund's large positions are in Taiwan and China, whose economies recovered faster from the Covid-19. The primary goal is investing in high-quality companies with strong cash flow, high returns on invested capital and management that are good stewards of capital. The timing is right. Emerging market stock valuations are 15% cheaper than their average discounts to developed markets, earnings are poised to grow 25% next year and global fund managers are significantly underweight emerging market stocks. Barron's—Todd McClone and Casey Preyss; Co Managers William Blair Emerging Markets Growth

Here's Some Investment Advice: Trust Your Process

What's your advice for investors who are tempted to speculate? You can't game the market. Even if you think you can, it's really hard to predict what the market's going to do, especially if you're not an expert at doing this. I'd also urge people to look at the track record of professional traders. What Daniel Kahneman (Nobel-winning psychologist and economist) has found is that most of them would make more money if they didn't trade at all. Poker definitely teaches you that players who are too active, who make too many decisions, or play too many hands because they're bored. They tend to lose money. People tend to think that doing something is better than doing nothing, and that activity means productivity. Oftentimes the best thing to do is to do nothing, but it has to be a choice. It can't be because of inertia or because you're scared or because you don't know what to do. Many people got out of the market this spring and are sitting on too much cash out of fear. I think you need to identify the source of fear and figure out if it is relevant to the decision. Is it rational or not? If your fear is coming from a place of knowledge, it may be valid. But that is often not the case. How can investors avoid making poor decisions? If you have a good reason for doing what you're doing, trust yourself, trust it. Don't second-guess it. I think every time you make a decision, you should write out why you're making it and what your reasoning is. So your process has to be as good as it can possibly be. But you have to constantly revisit your process because you're constantly growing as a person and the world is always changing. Maria Konnikova—Psychologist; Beware false confidence/Barron's 12/14/2020

Untied

A survey conducted in 14 countries about the impact of the pandemic on national unity found that across the nations, all wealthy democracies, a median of 46 percent feel more national unity than before while 48 percent think divisions have grown. Denmark's feeling pretty good, 72 percent think they're more united, followed by Canada (66 percent), Sweden (58 percent), South Korea (56 percent), Australia (54 percent) and Japan (47 percent). Meanwhile, some other countries are not feeling the unity: for instance, Spaniards think they're more divided (59 percent), as are respondents in Belgium (55 percent), Germany (54 percent) and Italy (54 percent). Oh, another country participated in the survey, and 77 percent of Americans think they're more divided compared to just 18 percent who think they're more united. Kat Devlin and Aidan Connaughton, Pew Research Center

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Having enough economic growth to support job growth. We're in a lower-growth mode than we're used to. This country and the world grew at a great rate in the latter half of the 20th century, and the outlook is for less growth than that. Then we'll have the increasing effects of automation and digitization. As a combined result, we'll have fewer jobs. I worry about where the American whose main asset is a strong back is going to find work, because we don't need that many laptop operators. Howard Marks—Co-Chairman, Oaktree Capital Management On a personal note, what place would you most like to visit when the pandemic ends? Majorca. We really love it, but weren't able to go this year. Thanks, Howard

Stock prices have reached what looks like a permanently high plateau. Economist Irving Fisher said that just before the Crash of 1929. But this time is different. Really. This widespread embrace of risk might seem surprising. But now, unlike in those halcyon days before the crash, policy makers have the benefit of history. The Federal Reserve's monetary policy is designed to support banks, inflate stock prices, and suppress options volatility. Hence, we can assert with confidence that stocks will almost always go higher and higher for the foreseeable future. The stock market, as we all know, is a discounting mechanism. It cares about what happens in the future, not the past. Thus, we will soon be living and investing in the best of all possible worlds. The traditional chasm between Main Street and Wall Street has seemingly disappeared. Tomorrow's prices have been invariable higher and their bullish prancing has been profitable. The so-called smart money, once dismissive of dumb money, now tracks what they do and trades wit them. But something has changed. The Street now trades with the little guy rather than doing the exact opposite. Without doubt, these are unusual times, and we should remember the lessons of the past. Investors should think about what they will do should the unexpected happen and the markets tumble. Something invariable happens when everyone is feeling sanguine and their brokerage statements are flush with profits, something that upsets the consensus view. In anticipation of that day and it is impossible to know when it will occur, assemble a list of potential long-term positions to buy should short-term volatility ever seriously knock prices lower. Steven M. Sears—Barron's December 14, 2020.

Regulators used to encourage banks to do their best to accurately anticipate loan losses. Now, they are encouraged to take more of a worst case approach. It's all part of the Congressional mandate for a Fed-led, stress-tested financial culture. Some banks were conservative with the first quarter loan loss provisions. It's clear regulators guided them to a more aggressive approach in the second. At least some of these billions will be recouped when provisions are reduced once the economy is on firm ground again. Chris Low—FHN Financial

"Find something you would die for and live for it!"

This year has forced us to face plainly the things that make us human: disease, resilience, and hope."

Apple CEO Tim Cook

Conclusion

In the age of robo advice, advisors should embrace asset allocation and portfolio construction as a way of demonstrating value. Advisors should recognize some of the inherent limitations with MPT and other asset allocation approaches. For asset allocation and financial planning purposes, advisors should ensure that the CMAs used in the models are current and make sense. Otherwise you'll likely fall short of reaching clients' long term goals and objectives. We may need to adjust clients' expectations for lower returns and income in their portfolios. It's always better to temper expectations and overdeliver, rather than set your clients up to fail. A goals based approach keeps investors focused on attaining goals rather than chasing performance. Advisors need to consistently reinforce this goals based approach to be effective; they cannot focus on performance when it's strong, then refocus on goals when performance lags. Also, it's important to periodically revisit client goals and objectives they often change over time. Regardless of whether you build the model or utilize models manufactured by a third party, you should understand they underlying methodology. There may be a need to use more than one model per household to solve for client needs. An advisor's value proposition shouldn't be devalued by employing third party models; rather, it shifts the focus to evaluating, selecting, and assembling models to achieve the desired outcomes. The value of the advisor is putting the pieces of the puzzle together in the appropriate fashion. This is more than asking a series of generic questions and turning the portfolio over to a robot. It's understanding your client's unique wants, needs, and desires—and assembling the right building blocks to achieve those goals. Sound asset allocation advice is both art and science.
Anthony B. Davidow, CIMA; President and found of T. Davidow Consulting, LLC.—Investments & Wealth Monitor July/August 2020

Inflation is definitely going to be an issue. Corporations will undoubtedly raise prices (hence inflation) as they pass through our new administration's higher corporate tax rates. Barron's 12/272020

"If you can't win, change the rules."

"If you can't change the rules, ignore them."

Treasury Market Yields	12/31/2020	12/31/2019	12/31/2018
2 Year	0.13%	1.58%	2.48%
5 Year	0.36%	1.69%	2.51%
10 Year	0.93%	1.92%	2.69%
30 Year	1.65%	2.39%	3.02%
SP 500	1.60%	1.82%	2.15%
Commodities			
Oil ($bal)	$48.52	$61.06	$45.41
Gold ($/oz.)	$1893.10	$1519.50	$1278.30
CRB Index	$167.80	$185.79	$169.80