Wednesday, January 13, 2021

Good Afternoon,

Stocks remain fairly steady brushing off the recent political turmoil.  Interest rates, however, have risen with the Ten-Year Treasury yield recently climbing from 0.95% to 1.15% in about a week. While this could be just a short-term move, should it be sustained we may be in for greater stock volatility, especially among the high-flying tech stocks that led the rally in 2020.  We watch interest rates closely for signs of inflation but concerns for rising prices are not prevalent given COVID related economic burdens.

While new COVID cases continue to run very high, there is evidence that we may have already peaked on the third wave here in the US. And while the vaccine rollout has hit speed bumps, the government and health systems are starting to figure it out and progress is being made.  Many people still refuse to wear masks or social distance and others are opposed to the vaccine. These behaviors are likely to extend difficult and frustrating lockdowns and the speed at which our economy will recover. Not to mention the impacts to our health care systems and workers.

With the runoff vote last week in Georgia, the political split in the Senate won’t technically be 50-50, but rather shifts to 50 Republicans, 48 Democrats and 2 Independents who caucus with the Democrats, effectively making it a 50-50 split. The last time the Senate was split 50-50 was in 2001, George W. Bush’s first year in office. **The change in Senate control should result in modest changes to policy.** We expect an increase in spending and more fiscal support, which are near-term positives for stocks. We also expect higher taxes (especially on higher-income Americans and corporations) and a more stringent regulatory environment, which could drag on the markets. But we don’t anticipate a significant shift to a highly progressive environment, given the slim majorities in both houses of Congress and President-elect Biden’s history of moderate stances.

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<http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm>

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Let’s hope the Bills keep up their winning ways on Saturday night versus the Ravens! We need our feel-good story more than ever right now.

*Wade*

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424

(585) 396-2720

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