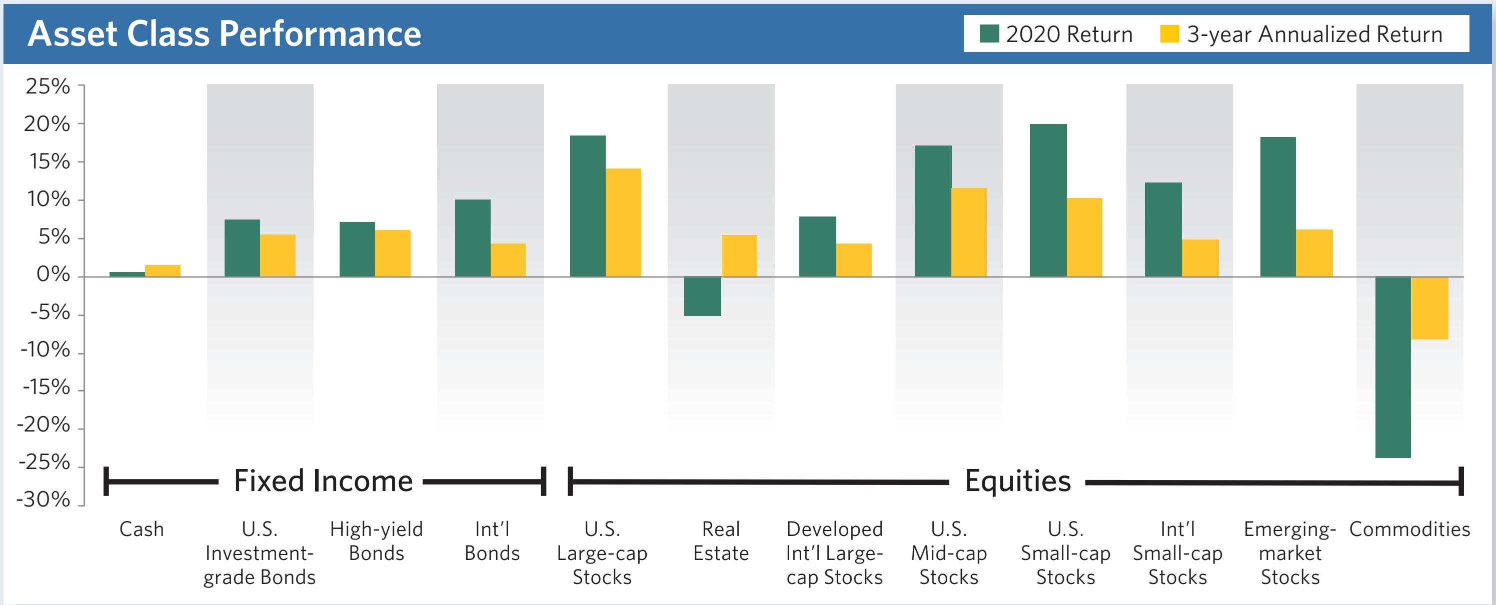

Source: Morningstar Direct, 12/31/2020. Cash represented by the Barclays U.S. Treasury Bellwethers 3Mon Index. U.S. investment-grade bonds represented by the Barclays U.S. Aggregate Bond Index. High-yield bonds represented by the Barclays U.S. HY 2% Issuer Cap Index. International bonds represented by the Barclays Global Aggregate Ex U.S. Index. U.S. large-cap stocks represented by the S&P 500 Index. REITs represented by the FTSE NAREIT All Equity REITs Index. Developed international large-cap stocks represented by the MSCI EAFE NR Index. U.S. mid-cap stocks represented by the Russell Mid-cap Index. U.S. small-cap stocks represented by the Russell 2000 Index. International small- and mid-cap stocks represented by the MSCI EAFE Small-cap Index. Emerging-market stocks represented by the MSCI EM Index. Commodities represented by the S&P GSCI Index. Past performance does not guarantee future results. An index is unmanaged and is not available for direct investment.

QUARTERLY MARKET OUTLOOK: **FIRST QUARTER 2021**

Year in Review

Stocks finished 2020 with an 18% gain, taking an unprecedented path to get there. This was the fifth year in the past decade in which the S&P 500 posted a return of more than 15%, but the only one that contained a global pandemic, a record-breaking recession and a contentious presidential election. 2020 has ushered in a new economic and stock market expansion that we believe can extend for the next several years, but not without a few bumps along the way.

Deep recession gives way to a new expansion – The U.S. endured the largest quarterly GDP decline in history, followed by the largest-ever rise in GDP as the economy emerged from the pandemic-induced shutdown. The unemployment rate began 2020 at a 50-year low (3.5%), surged to its highest level since the Great Depression (14.7%) and ended the year below 7%.

Extreme conditions produced unprecedented market moves – The stock market fell 34% in just 23 trading days, the fastest such bear-market decline in history. It took just five months to regain the losses, the quickest-ever recovery from a 30% drop. The extreme moves weren't confined to stocks, however, as oil prices briefly fell into negative territory, and the 10-year Treasury yield dropped to an all-time low near 0.30%.

Broad-based gains – Both stocks and bonds posted positive returns for the year, with U.S. small-cap stocks leading the way. U.S. large caps and emerging-market equities also returned more than 15% on the year. Diversified portfolios saw decent gains from bonds as well, as central bank stimulus pushed bond prices up and interest rates to historic lows.

Action for Investors

Last year's extreme conditions highlight the importance of staying calm when the markets seem to be panicking, along with a disciplined investment strategy and diversified portfolio.

Diversification does not guarantee a profit or protect against loss in declining markets.

Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates and investors can lose some or all of their principal.

Edward Jones
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