



3 Things You need to know for 2021

DOW 35,000 by January 2022

We continue to be bullish on the broad stock market due to easy Fed Policy and the impending recovery from COVID and economic lockdowns. Price Targets that were sent out three weeks ago remain intact. We are sticking to Dow 35,000 and S&P 500 at 4200 by year end 2021. These price targets for both the S&P 500 and Dow Jones are a reflection of the capitalized profits model from the First Trust economic team. We will keep you informed of any changes to the valuation of the profits model. Besides the bullish outlook on broad markets, we think that value stocks, mid cap and small cap stocks will also participate in playing catch up over the next few years. For more detailed info on the First Trust/Wesbury method of calculating market value, please read the link below.

<https://www.ftportfolios.com/Commentary/EconomicResearch/2020/11/30/sp-4,200---dow-35,000>

The “Big 6” (Amazon, Apple, Google, Microsoft, Facebook and Tesla) which are the top holdings of both S&P 500 and Nasdaq, have been a big reason for carrying both indices to solid gains over the last few years. The “big 6” make up an astounding 25% weighting in the S&P 500 index ETFs and almost 50% of QQQ or the Nasdaq 100 ETF. Value stocks as well as mid-size index funds who do not carry the “Big 6” can offer a great way to diversify one’s portfolio. We are starting to see short term price movements that are encouraging in non-tech sectors. While the Big 6 are likely to continue to grow moderately in 2021, portfolio diversification is going to start to see more benefit over the intermediate term.

Besides core or broad markets showing gains, we continue to like satellite positions in disruptive industries like cloud, mobile payment, biotech/health sciences, cybersecurity, and home construction. For a more detailed view on specific sectors, Global X has a longer piece we have attached for those who enjoy reading more in depth commentary.

https://www.stewartwealthmgt.com/sites/default/files/global-x-2021-outlook_0.pdf

TAX INCREASES COMETH

Once we get through COVID, the government will have to figure out how to pay for all this stimulus spending that was started in March 2020. If you spend trillions of dollars on SBA loans, PPP loans, and consumer stimulus, you have to

understand that the government will have no choice but to eventually increase taxes. It might come in the form of income tax increases, capital gains tax increases, and possibly estate tax changes as well. There is no such thing as a free lunch! Somebody, somewhere is picking up the tab. The tab for those lunches is growing and we will find out the plan for payment in the form of taxation. We constantly work with tax partners, CPAs, continuing education seminars, and other strategists to perfect an offense where we can keep taxes as low as possible. Having a tax-efficient offense is extremely important, which is why we are releasing our 10 best tax strategies for Wealth Building next month. Opportunity Zone Funds, Delaware Statutory Trusts, Exchange Traded Funds, 1031 Exchanges, and Depreciation to offset taxable income are just a few examples of ways we can help refine your offense. Our goal is to review them with each client so we can maximize returns and decrease tax effectively. This presentation will be available in February.

INFLATION IS AROUND THE CORNER

Now is the time to lock those 30-year mortgage rates. And if you are investing in bonds, staying on the short end of the yield curve is paramount. One of the big policy changes is that banks, which need a steep yield curve to make money, really liked the Biden win. More and more strategists are preparing for inflation. And if you have kids, you already know about inflation because child care and college education have experienced tremendous inflation in their prices in the last 20 years. Housing or asset inflation has been steady since 2011 but I think you will start to see inflation in goods within the next year. In my opinion, the best hedge against inflation is rental real estate. The chart below is a key to understanding wealth building and inflation. I spent an hour on the Blackstone call yesterday and feel there continues to be opportunity in the markets.



Our team is available for strategy calls and planning calls. Please let us know if you would like to schedule a time.

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