The Oak Financial Times

A Quarterly Publication

Winter 2021

Written and Published by Oak's Investment Team

TEN YEARS AFTER

The band "Ten Years After" changed its name from the "Jaybirds" to their newer moniker in 1967. The name paid homage to the emergence of Elvis Presley the decade prior. Just like music tends to change every decade, it seems as though the publics' preferred investible asset classes change as well.

Music in the 1920's was dominated by jazz and blues, the '30s by swing, the '40s by big bands, the '50s by pop, the '60s by rock and roll, the '70s by disco, the eighties by heavy metal, the '90s by grunge and the 2000's by hip hop/rap.
In investment terms the '20s were known as the go-go years, the 30's and 40's as the collapse of the go-go years. The '50s and '60s were the years of growth after World War II and the coming of age of the baby boomers. The '70s were known as the inflation years because interest rates skyrocketed. The '80s and '90s were the time that boomers were in their prime earning and spending years. The 2000s brought on the most negative decade just when boomers were starting their wave of retirement. 2010-2020 ushered in declining incomes but a rising market due to companies buying back their stock, mergers and acquisitions and accounting deception to elevate stock prices.

What seems most apparent is that every decade is different and trying to reasonably forecast the future and positioning your portfolio in advance of the crowds is of critical importance. This year has kicked off the next decade in a manner that we have never witnessed before. It came in like a hurricane in comparison to the past. It's necessary to utilize investments that help prepare to weather the eye of this financial storm. We will not know what eventually defines the next ten years for a while, but we can use the knowledge and the experience we have accumulated during the last year as well as in our careers to position properly throughout this time period.

The world has read about, learned about, and lived the coronavirus and this pandemic will continue to weave its way into our lives for years to

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come. Had the government not implemented a transfer of payments to both the public and small businesses at the onset, we would now be staring down one of the deepest recessions in American history. Although financial help was needed, we are confident that the social/financial experiment by the government will eventually end badly. But the difficult part will be knowing when to leave this party because we do not want to turn our backs on viable investment opportunities.

Without additional fiscal stimulus its anticipated that more small businesses will fail, many jobs will disappear, incomes will decline, and consumer spending and business investment will pull back. These are all ingredients to the recipe that can trigger the economy to recoil. Given the political traffic jam and infighting in DC, we do not anticipate a meaningful stimulus until after President-elect Biden takes office.

Should the Republicans win one or no seats in the Georgia run-off Senate election next month, Mr. Biden could be the first new democratic President since 1884 without a Senate of his own party. In this case, little monetary or fiscal stimulus will be dispersed causing interest rates to move even lower than they currently are out of fear. If both parties about face and agree to spend more money to stimulate the economy, then interest rates will rise sparking yields to rise. And if the Democrats win both senate seats in Georgia, we expect trillions of dollars to be spent causing interest rates to shoot up.

Depending on how the Fed and Congress act we would expect deflation to continue over the short term until they panic, allowing inflation to follow quickly. The U.S. Government has only two plans to pay off the debt currently; default or inflate the debt away. As we are confident that they will not opt for default, we should expect inflation at some point to be this decade's long-term solution.

Switching gears, we closely monitor the potential that the US could follow both Europe and Japan in their moves to zero and/or negative rates, an idea we cannot easily dismiss. Should this develop, bonds would no longer be able to be used to offset a decline in stock prices, causing the public to take on more risk than they understand. On the other hand, if the velocity of money picks up allowing consumers and businesses to spend, then interest rates could rise significantly. Should that happen equities could decline as safer bonds would be serious competition for stocks. Lastly, if interested rates increase too quickly the Federal Reserve will step in and cap yields. They do this by purchasing all existing long-term bonds which keeps interest rates low.

Another one of our focuses is on the direction of the U.S. dollar. Over the past number of years, the dollar has been strong which has caused foreigners to utilize double dip investment tactics. Here they buy both U.S. stocks and bonds as well as our dollar. When all these assets go up, foreigners are making money on all sides of the trade. Should the dollar decline over the next number of years, we could see mass exodus out of U.S. stocks and bonds and the repatriation of funds to lessen the pain of losing money on both U.S. assets and currency.

Lastly, we have seen how technological advances and artificial intelligence has changed the world both in good and bad ways. The negative focuses on the elimination of many jobs, which are not anticipated to ever come back. Amazon by itself has disrupted many of the business models of yesteryear. Zoom has allowed business meetings to take place during quarantine which will disrupt the travel, convention, and hotel business because of how easy and quickly meetings can take place. Companies like Tesla are pushing driverless cars that over time may replace truck drivers which equate to a large swath of jobs in this country. In early December Tesla surpassed Warren Buffet's Berkshire Hathaway in market cap, showing evidence that this decade would be an "out with the old, in with the new" decade.

There are so many factors that we deem important to help forecast the next ten years, they include but are not limited to the following: the direction of the U.S. dollar, interest rates, direction of inflation vs. deflation and how technological advances and artificial intelligence will affect the jobs market. Although we do not want to rush time, we are interested what our newsletter will deem the 2020's era to be called…stay tuned!

"It's a new dawn
It's a new day
It's a new life
For me
And I'm feeling good"

-*Feeling Good*, covered by many artists, made notorious by Michael Buble

Our last section talked about the many items we consider while investing and what themes we could see defining the next decade. We also wanted to share what we think 2021 could look like, especially because the world seems very eager to see 2020 end and 2021 begin.

We have seen significant winners and losers over the past twelve months. The S&P 500 index has had healthy returns since its serious drop earlier this year, along with other markets. Yet when you unpack the components of the index, a different story is told as all sectors have not behaved the same. Information technology and consumer discretionary areas did very well due to the abrupt shift to work from home, and our need for various goods within the confines of our homes this year. On the opposite end of the performance spectrum are areas like financials and energy that have not fared so well. As of this writing, these two sectors are in the red for 2020.

We have seen the underperforming population of equities show signs of strength recently. It seems the unloved names of last year are started to get a few more "likes" as the new year approaches. This concept spreads further than just the companies that make up the S&P 500.

The international equity universe has been another area starting to shine and we believe it will have more luster to it over the next few months, maybe longer. Europe, Japan and the Emerging markets are showing signs that 2021 will be a year of change for them. We always emphasize that stock and company selection is very important because there are inevitably weak points. Although US financials could march forward, it looks like European financials still need to be avoided for the most part, but small quality international companies are intriguing as they have the ability to grow.

While we are on the topic of the other side of the pond, Europe has put a lot of resources behind renewable energy. One-third of the bonds issued of the EU's €750 billion rescue fund will be earmarked for green energy. The EU is encouraging asset managers to integrate sustainability requirements into investment decisions.

Corporations are looking for ways to build their green credentials, and to tie it back to the US; since the electoral college recently confirmed Joe Biden as President Elect, the future could mean greener energy for the US as well.

The energy space both renewable and non-renewable is presenting an interesting opportunity. The energy sector is still priced as if the entire industry is going out of business. The disconnect between the poor performance of energy this year and the run-up in technology further points to the potential bullish case for energy. Yet we emphasize that this does not automatically remove the precariousness that can accompany the investment space, we still see value in owning a piece of it.
The investments we purchase within our portfolios are always thoroughly vetted. As the introduction of the vaccine and the beginning of the new year approaches, we are getting hopeful with various investment prospects. We believe that some of the opportunities may need to be rented while others can be held longer. We can also envision a world where we allow for ideas we like now to get cheaper, and multiple entries into an investment space can occur. Like Michael Buble,

is seems like we're hoping to feel good moving into the new year, and with a new day comes new possibilities.

CONCLUSIONS

1. We expect the big story for 2021 will be a shift in market leaders. Cyclical stocks, value stocks, commodities and precious metals should benefit.

2. Our call for increased volatility in 2020 should be repeated in 2021. While we do not have a crystal ball, we expect an equity correction some time in the first half of next year, followed by a bounce leading to a potential market top.

3. Sovereign bond yields around the world are in a secular bottoming process that may stretch out a few more years before inflation could come in back in droves.

4. Missing the ten worst days in the market from 1/01/95 through 11/30/2020 has increased investors annual growth by almost 4%, which is why we continue our focus on capital preservation first, followed by capital appreciation.

****In the spirit of helping others during this difficult 2020, we have made the decision to donate to the Lower Fairfield Food Bank in lieu of sending out holiday cards. We are wishing everyone a happy and healthy new year and a wonderful 2021!****