HERE'S WHAT WE DO (AND DON'T) EXPECT FOR 2021.

1. **We expect that economic growth and investment returns** will depend critically on the course of the pandemic and near-term U.S. fiscal-policy responses.

2. **We expect widespread vaccination of the U.S. population by year-end 2021**, but we do not expect the SARS-CoV2 virus to be eradicated. It will likely remain endemic, like the flu. We do not expect a full return to pre-pandemic levels of travel and socialization. Segments of the population will likely remain cautious until it is clear that the threat from the virus is largely contained and manageable. Today's market appears to be overly optimistic regarding vaccination.

3. **We expect continued partisan gridlock in Washington.** Although Congress managed to pass a modest fiscal aid package just before Christmas, it did so by setting aside two divisive issues, aid to state and local governments and legal protection for companies from Covid-19 related employee lawsuits. Future bipartisan cooperation appears unlikely in view of the hostility between the party leaderships in Congress and the aftermath of President Trump's attempts to overturn the results of the Presidential election. Market hopes for a more-cooperative consideration of national issues are likely to be thwarted.

4. **We expect the Federal Reserve to maintain a highly accommodative policy stance** throughout the year. We do not expect inflation to exceed the Fed's 2% average target.

5. **We expect economic growth to be moderate.** Even with widespread vaccination, Fed policy support, and additional fiscal aid, we do not expect a rapid return to normal. We expect unemployment to rise for the next several months and would not be surprised if the economy contracts in the first quarter. On balance, our outlook is positive but more muted than what appears to be the current consensus.

6. **We expect consumer confidence and business optimism to be buffeted** by the course of the pandemic over the next several months, after which both should rise–but unevenly. The market may be looking for more of a straight-line increase in both; we see a rocky road to higher ground.

7. **We do not expect conditions to normalize until after 2021,** at which point the new normal will not look like the old normal. In line with investor expectations regarding the vaccine, the market appears to be anticipating a quicker return to normal.

8. **We expect economic growth will be more robust globally than domestically,** largely driven by strong growth in China and other emerging markets and a rebound in Europe from a particularly large decline in 2020. These expectations are in line with market expectations.

A 2021 INVESTING GUIDELINE

The implications for investors of our expectations include:

1. **Near-term equity performance is likely to be more volatile than normal** as the market adjusts to more-realistic expectations for 2021 growth and a more extended return to normal. That process will be shadowed by the recognition that the new coronavirus will be a permanent part of the public-health picture. Still, investors may have a rosier-than-warranted outlook for stocks once the pandemic fades.

2. **Equity returns will be more widely dispersed.** Industries and companies will not have equal success in adapting to the new normal. And so investors are likely to be better served by adept active management than by passive indexed investing.

3. **A highly accommodative Fed policy and modest economic growth will leave little room for higher interest rates**, which should keep bond returns well below average. Equity returns should exceed bond returns, justifying an overweight to equities.

4. **Stronger overseas growth will create opportunities for internationally-oriented domestic companies and for international equities,** especially in select emerging-market regions. Investors are likely to benefit by increasing exposure to international equities.

5. **A full-fledged regime change favoring Value stocks over Growth stocks is unlikely in view of the modest economic growth we expect.** An allocation balanced between growth and value makes the most sense for the start of 2021, as we see it.

People's United Advisors

Working with People's United Advisors, Inc.

INVESTMENT MANAGEMENT

TRUSTS, ESTATES & CHARITABLE PLANNING*

INSURANCE, SECURITIES & ANNUITIES**

MULTI-GENERATIONAL PLANNING

PRIVATE BANKING*

BUSINESS, NOT-FOR-PROFIT AND MUNICIPAL SERVICES

RETIREMENT PLAN SOLUTIONS

***Services provided by People's United Bank, N.A.**

****Services provided by People's Securities, Inc.**

Securities and insurance products are offered through People's Securities, Inc., an insurance agency and Broker/Dealer, member of FINRA and SIPC. People's Securities, Inc. is a subsidiary of People's United Bank, N.A.

People's United Advisors brings pragmatic, thoughtful wealth-management solutions to individuals, families, and organizations.

For more information on our investment offerings please contact us at:

wealthmanagement@peoples.com

(800) 772-8778

www.peoples.com/wealth

www.linkedin.com/company/peoples-united-advisors/

AN RIA INSIDE A BANK – A GREAT IDEA!

We deliver Uncommon Expertise to all of our clients. As part of an organization with over 175 years of experience, we're not new to this.

We are stable, secure, and regulated.

We don't sell. We solve.

We are fiduciaries, always acting in the best interest of each of our clients.

Our culture is one of prudence and risk-aversion.

We deliver solutions that matter, and do so through honest language.

Experienced and tested, we are focused on delivering complete solutions.

FOR ADDITIONAL INSIGHTS AND THOUGHT LEADERSHIP, PLEASE GO TO:

WWW.PEOPLES.COM/WEALTH

Investment Products & Services

- Not insured by FDIC or any Federal Government Agency
- May Lose Value
- Not a Deposit or Guaranteed by a Bank or any Bank Affiliate