

# SPW's "We Are Thinking" Series

## We are thinking about ..... Investing After COVID

### Getting the Virus Under Control

In May of last year, SPW wrote a piece about the investment implications of the nascent corona virus, and the outlook for a vaccine. It is remarkable to consider our progress as we write this follow-up piece in late March 2021.

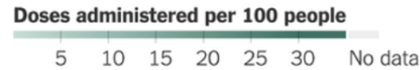
For much of the past year, the markets focused on the development, approval, acceptance and distribution of the vaccines.

While far from perfect, the process has resulted in widespread global vaccine administration.

Yet, still much work needs to be done to achieve herd immunity. The chart makes clear the wide separation between countries that have administered many vaccines and others that have hardly begun.

The markets have turned their attention to how the post covid economy is shaping up.

#### The Race to Vaccinate the World



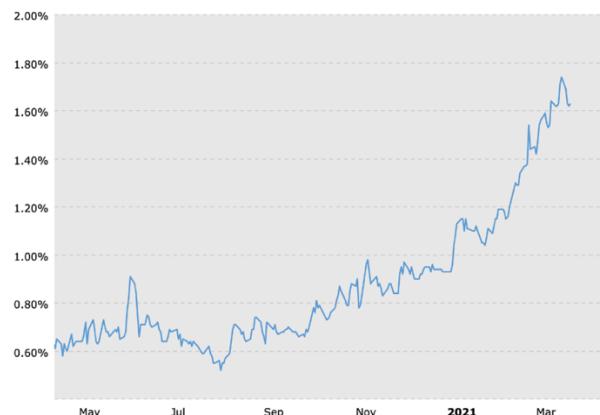
Mid March 2021: More than 552 Million doses administered: 7.2 doses for every 100 people

### Market Concerns Moving from COVID to Inflation

The Silicon Private Wealth investment team has noted many trends that have shifted our allocation choices more dramatically than we can remember. It stands to reason that much would be different versus our pre-pandemic economy. Here are some of our observations:

- 2020 stock market returns are likely to be better than 2021 returns
- Interest rates bottomed for this economic cycle in 2020; rising interest rates would place a downward pressure on equity valuations
- Global supply chain issues have resulted in visible inflationary pressures
- While the Fed has gone on record with its support of low interest rates through 2024, the bond and stock markets are telling a different story. Interest rates have already begun rising, and we are preparing portfolios for a considerable period of rising rates

#### Sharp Increase in the Benchmark 10 Year Treasury Rate



Borrowing Costs are now Rising

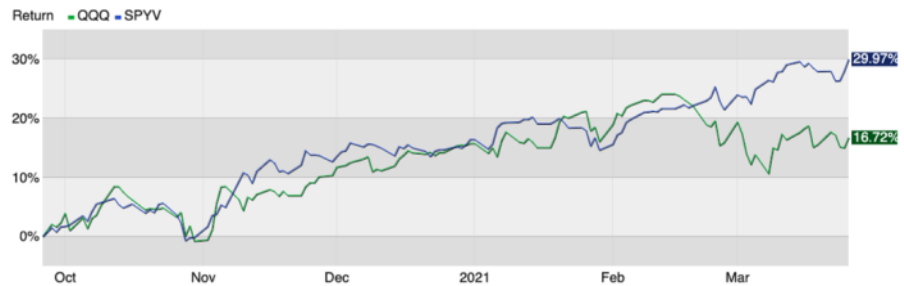
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### Broader Economic Upturn Prompting Rotation to Value

- Much has been written about the outsized returns in technology. We continue to feel that the super cycle of innovation unleashed by the globe's unprecedented response to the pandemic is worthy of investment, but our investment selections have shifted

Rotation Evident: Value (SPYV) versus Tech (QQQ)



- We note the rotation into blue chip, value-oriented stocks, and have adjusted portfolios to take advantage of a more balanced approach. We feel that the "bet all the equity chips on Tech" is not the right call for the economic cycle we envision.

### Commodities and Supply Chain Choke Points

- Commodities have earned a place in most client portfolios as a way to hedge some of the inflation risk. We note the recent price points in lumber, copper, and gasoline as indicative of the far-reaching inflationary impact of the current business cycle.

Reflecting Increasing Commodities Prices: Copper Timber Gasoline



Continued Inflationary pressure will test the Feds ability to keep interest rates low

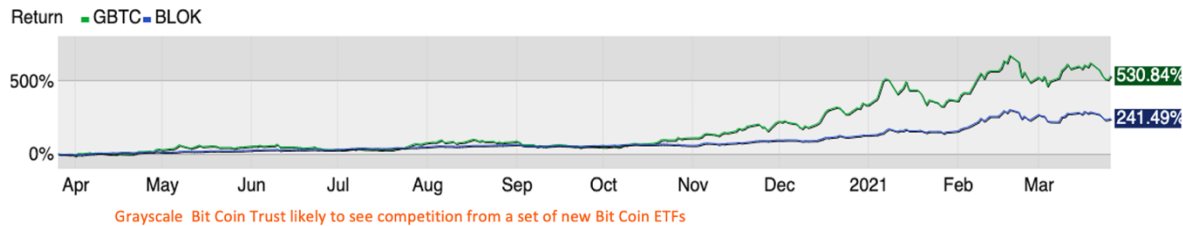
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## Crypto Currency

- Our belief is that cryptocurrencies have come of age and suggest some exposure in most portfolios. There have been limited ways to invest in Crypto thorough securities with **GBTC** being a notable exception or indirectly through ETFs like **BLOK** comprised of companies involved in blockchain technologies. There is an expectation that SEC will shortly give approval to a growing set of ETFs that will track crypto indices.

## Trend in Bit Coin and Blockchain Technologies



- There are always risks and some critics point to the caveat that with increased computing power hacking of blockchain could undermine the technology. However, there is no doubt now that some industrial companies, **TSLA** included, and a number of financial institutions are committing to Crypto as a way to store value.

## Talk to Us

Educating our clients is a core principle for **Silicon Private Wealth**. As we start to look behind us at the COVID shutdowns the challenges are changing.

So, if you think it's time to start to think about the new normal and taking a deeper dive to understand both the benefits and risks, please reach out and call us. All of our contact information is at:

<https://www.siliconprivatewealth.com>

## Sources:

<https://www.nytimes.com/2021/03/13/us/covid-19-coronavirus-global-vaccinations.html?searchResultPosition=3>

<https://www.macrotrends.net/2016/10-year-treasury-bond-rate-yield-chart>

Kwanti was used to generate the graphs showing ETF trends

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