



Economic Update

**A**s we pen this update, the Pfizer/BioNTech vaccine is being transported across the nation for distribution while a second Moderna vaccine awaits emergency authorization from the FDA. In clinical trials, both vaccines produced demonstrated efficacy rates of 95% – a remarkable achievement considering that the typical flu shot ranges between 10% and 60% efficacy depending on the given year.

**Political unease**

As if the pandemic wasn't creating enough turmoil by itself, the past month's post-election legal challenges and claims of election 'rigging' from the President and his legal team (supported by a number of States Attorneys General) have further added to the current climate of anxiety. While it seems at this point a relative certainty that a Biden administration will be sworn in on January 20th, control of the Senate won't be determined until we learn the results of the two January 5th Georgia run-off races. Assuming Republicans win one of the two races and retain control, we don't foresee any significant changes to U.S. tax policy being enacted prior to the next mid-term election in two years.

Thus far, the markets have reacted positively to a likely Biden victory, as well as to his selection of former Federal Reserve Chairwoman Janet Yellen as his nominee to become Secretary of the Treasury. With all eyes on the domestic drama playing out, however, little attention has been drawn to the fact that the worst case scenario of a 'no-deal Brexit' will officially become a reality on December 31st unless an unlikely last minute deal can be struck. Failure to strike a deal could have a significant impact on global markets over the coming few months.

*Continued on page 2*

Don't Fall Prey to Cybercrime

- Cyber-crime ramped up significantly during the pandemic. The FBI indicates an 800% increase in reported cyber-crime since the pandemic began. <https://www.prnewswire.com/news-releases/top-cyber-security-experts-report-4-000-cyber-attacks-a-day-since-covid-19-pandemic-301110157.html>
- Simple steps you can take to protect yourself from cyber-crime:
  - Make sure your account passwords are complicated and update them regularly. Also, use multi-factor authentication whenever possible.
  - Be wary of any email that contains a picture or other attached file. Even if you receive an email with an attachment from a known sender, always confirm with the sender that the attachment is legitimate before clicking on it. If possible, scan any and all attachments for viruses before opening.
  - Do not fall for any email promising an amazing discount or other "too good to be true" offer. Chances are, it's a scam or contains a malicious link.
  - Do not provide any personal information online in response to any email.
  - Do not call any phone number contained in a questionable email and do not reply to any suspicious email.

### Market recap

After what can only be described as a wild ride over the course of 2020, the major U.S. equity indices once again rose to new all-time highs in early December – fueled by the best November ever for the S&P 500® (+10.8%) and the best November for the DJIA (+11.9%) since 1987. For most of the summer and early fall, the ‘post-March-swoon’ recovery was heavily driven by large cap tech sector names.

Following the Pfizer and Moderna vaccine announcements, however, equity leadership began to broaden with several long-suffering sectors showing signs of life (e.g., energy, materials, industrials, financials, and others). Laggards for much of the year, both the U.S. mid cap and small cap indices also have begun to outperform their large cap peers during the 4th quarter. Similarly, both international and emerging market equities (MSCI EAFE and MSCI Emerging Markets) have been steadily outpacing the S&P 500 for most of the fall.

The resiliency of financial markets has, at times, been startling. Even in the face of bleak short-term economic news and mounting Covid case numbers, the market has continued to look beyond the pandemic — especially now that a vaccine is on the way — and focus on anticipated post-pandemic economic performance. This has been aided by a steady hand from the Federal Reserve which has combined a highly accommodative monetary policy with a 0% fed funds rate (likely to remain at that level for the foreseeable future) to foster continued economic growth despite the ongoing headwinds.

But for income investors, these actions have presented significant challenges. With short-term bond yields at or near 0%, and longer-term bonds (despite recently beginning to rise) still hovering around historically low levels, investors need to go out about 10 years on the maturity scale just to earn a 1% yield on U.S. treasuries.

### Looking ahead

How much of an economic impact the latest winter surge of new Covid infections and hospitalizations will have, remains to be seen. As case rates skyrocket in various hotspots, a return to tighter restrictions and potential lockdowns will continue to weigh on the U.S. and global economies.

While the current 6.7% unemployment rate remains well below the April peak of 14.7%, the recently released November jobs report showed a net of just 245,000 new jobs — about half of the consensus estimate. Nevertheless, after the stunning +33.1% GDP figure recorded in Q3, there’s still an expectation for a solid Q4 GDP number of around 4%. Manufacturing is also steadily rebounding — with the ISM Manufacturing Survey currently at 60 (well into expansion territory).

We may at this precise moment, despite all the trials and tribulations of 2020, be exiting the recession. Yet because GDP data is backwards looking, we likely won’t be able to verify if that’s the case until sometime in the latter part of Q1 2021 when the National Bureau of Economic Research (NBER) is able to analyze and report on the data.

At present, assuming an efficient and comprehensive rollout of the Pfizer and Moderna vaccines both here in the U.S. and around the globe, we maintain a positive economic outlook for 2021. Of course, there is always the potential for some distribution and logistical challenges along the way — but we expect those to be relatively minor in nature. The overriding calculus makes a compelling case for growth: eliminate the strongest economic headwind we’ve experienced since the 2007-2008 financial crisis (the Covid pandemic) and then add in a strong tailwind of pent up demand for goods and services such as travel and entertainment, dining out, sports and concerts, etc. These circumstances suggest further economic expansion is likely as the US and the world gradually emerge from lockdown and people and businesses resume more normal activity patterns over the course of the coming year.

**Emergency COVID-19 Needs & Fall Events**

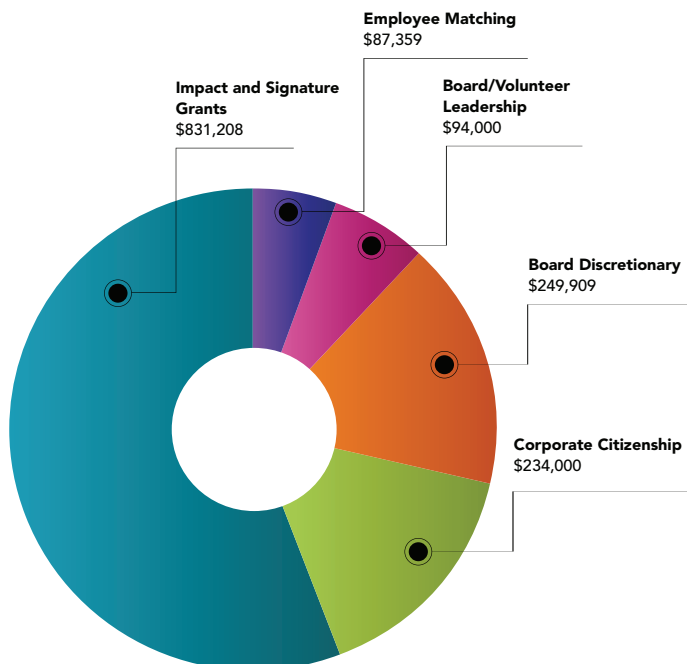
This holiday season, employees of BLBB Advisors pulled together to donate cleaning and household supplies to families at the [Inter-Faith Housing Alliance](#) in Ambler, PA. Cleaning supplies, especially during the pandemic, are some of this organization’s most pressing needs. In addition, BLBB employees partnered with the [Kelly Anne Dolan Memorial Fund](#) to fund holiday gift cards for a 9-year-old girl with cystic fibrosis and a rare inherited disorder where motor neuron degeneration causes progressive muscle weakness and atrophy.



On December 9th, [Gwynedd Mercy Academy High School](#) recognized [BLBB Charitable](#) for supporting the school’s new leadership program. The L.E.A.D. Program (Learn Educate Achieve Develop) is inspired by the legacy of Catherine McAuley, the founder of the Sisters of Mercy. Rooted in concerns about the earth, immigration, nonviolence, racism and women, the program educates and empowers young women as they rise to become our future leaders.

In 2020, BLBB Charitable awarded more than \$800,000 in multi-year grants towards its education and leadership impact philanthropy mission. Our foundation donated over \$180,000 in support of

the BLBB Advisors employee match program and board leadership and volunteer service of BLBB employees in the community.





L to R: Doug Huntley, Clif Haugen, John Lawton, Laura Brewer, Dean Karrash



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