NEXBANK NOTES December 2020

Our Fundamental View:

Headlines regarding COVID continued to diverge last month, seeing a huge tug-of-war between the dramatic increase in new cases with optimism surrounding a vaccine. The stress reached a fever pitch around Thanksgiving, which was exacerbated by several new lockdowns. The question now being, whether these will lead to more and damage to the economic recovery.

Looking underneath the surface, it is <u>very</u> good news that the number of deaths have <u>not</u> surged above March levels, as have cases. The surge then, likely to be a result of the 10x increase in the number of daily tests since then.

Economically speaking, the data continues to argue for a v-shaped recovery, which was always the position of the (current) administration. That being said it is weakening, which is legitimate cause for concern. We continue to believe the letter ‘k’ is most likely path, with some areas of the economy able to recover, while others may never reach pre-COVID levels.

Our Technical View:

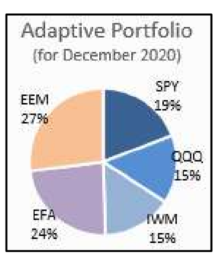
Technically speaking, the market remains in <u>wonderful</u> shape. We have been discussing the strength in market internals for months and are now happy to report that 90% of the stocks on the NYSE are trading above their 200-day average! That is the highest reading since 2009 and argues strongly that stocks are in the early innings of a cyclical bull market.

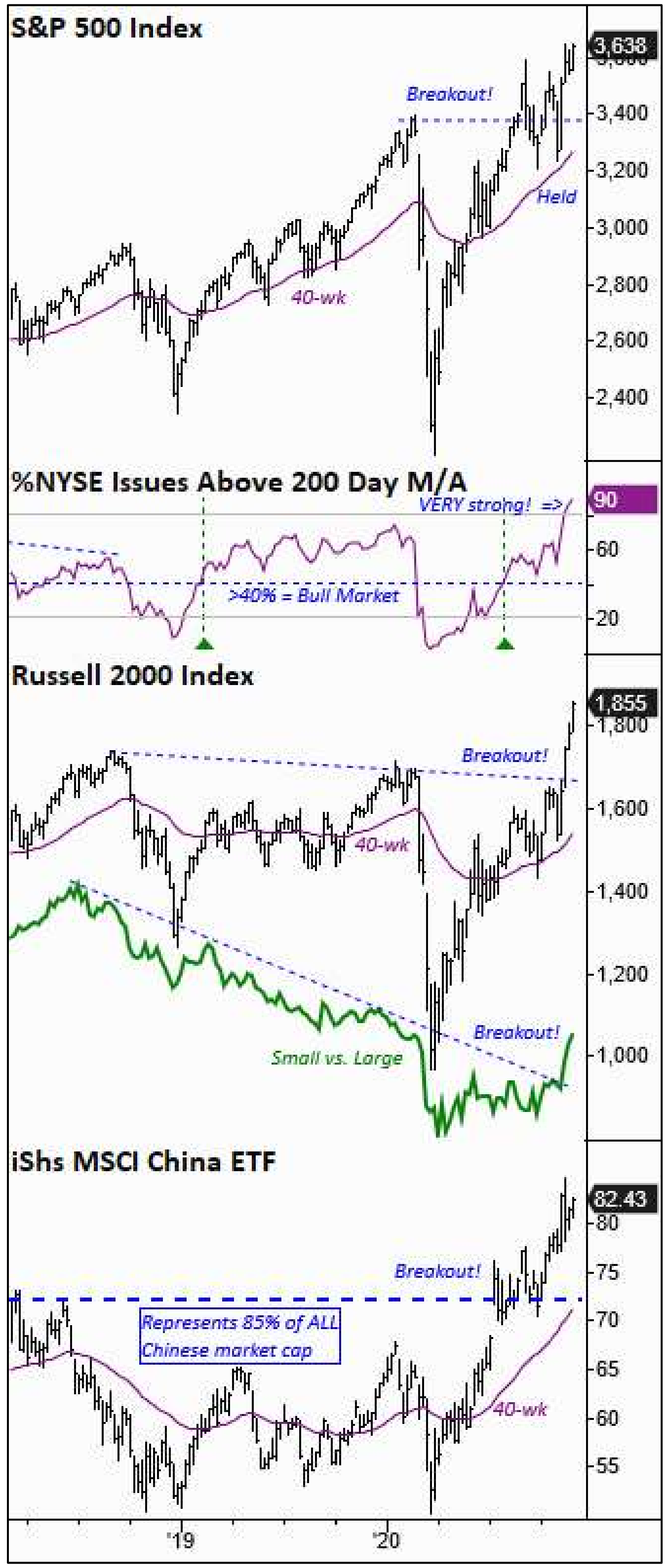
This ‘broadening’ of the advance is an important development and is largely due to the resurgence in small cap stocks. Specifically, the Russell 2000 truly <u>surged</u> through the key 1,700 area, which had been a lid on the index since 2018. Even more important technically is the up turn in its relative strength.

Finally, as we have also noted for months, numerous markets around the globe have also ‘broken-out’. Despite significant geo-political tensions with the US, China led the way with the MCHI ETF breaking-out in *July*. While numerous other markets have since followed suit (including Taiwan & South Korea), China remains strong and continues to lead the way higher.

Adaptive Model Update:

As noted above, equity markets globally continue to improve. Not surprisingly then, our Adaptive Asset Allocation model made a shift as November closed, replacing commodities (represented by the DJP ETF) with the developed overseas markets (EFA, ETF). Current allocations are to the right.





Charts courtesy of TradeStation, as of November 27, 2020

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NEXBANK WEALTH ADVISORS

About NexBank Wealth Management

NexBank Wealth Management is a privately owned, independent wealth manager located in Dallas, Texas. The team is led by award-winning investment professionals, with an average of 25 years of experience working with some of the world's most distinguished institutional clients and financial institutions. NexBank Wealth's actively-managed approach guides clients through complex and evolving markets. Contact our Client Services Team for more information.

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