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Looking Back and Looking Ahead

By Keith Burbank - Chief Investment Officer

As we've closed out the first month of 2021, let us take a look back at where we came from in 2020.

**HOW 2020
STARTED**



**HOW
IT'S GOING**



For those of you active on social media and especially Twitter, you are probably familiar with the meme "how it started, how it's going, which for 2020 was quite relevant in the investing world. It's hard to remember now, but we started the year with much optimism as the economy had shown signs of continued strength as the markets had performed quite well in 2019. Most investors were focused on the potential volatility that is normally associated with an election year, and were ultimately caught off guard by the sudden volatility caused by the pandemic that spread around the world.

The selloff was swift and deep, with the market cratering by late March, down nearly 35%. At the time it was hard to know for sure that that would be the bottom as the pandemic still raged, and the economy was virtually shut down. A major response was needed to stave off an economic depression, and policy makers were up to the task with both fiscal and monetary measures far greater and implemented far faster than at any point in history.

The economic response, plus the optimism that a vaccine would be available soon, gave investors all the hope they needed. Stocks started a swift and steady comeback that lasted through year end.

Despite a decline of 35% in March, the S&P 500 ended the year up 18% with much of the gains coming from growth stocks. Not all areas of the market performed as well, with Energy and Financial stocks being notable laggards.

So where do we go from here?

Much of the market exuberance is based on the hope that the pandemic subsides - *Continued on pg. 2*

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as the world population gets vaccinated. For the US, the hope is to have a large portion of the population vaccinated by late Summer. This is no small task, but the success of the vaccination program is vital to ending the pandemic and getting the economy back to full strength.

Economically, we expect the recovery in manufacturing will continue to progress, while the service industry will have a bit more volatility in its recovery amid new waves of virus cases. The hope is that pent up demand from consumers, in addition to the increase in savings over the past year, will eventually spur more activity in the beaten down sectors of the service industry such as restaurants and travel related businesses. GDP growth in the range of 4-5% for 2021 seems doable, although it would not get us all the way back to pre-pandemic levels.

A sustained economic recovery would be a positive for corporate earnings, particularly for the more cyclical sectors of the economy. The valuation gap between the most expensive stocks and the least expensive is currently as wide as it has ever been, but typical of when there is still a lot of fear in the market and investors have focused on the less risky companies. This has historically been a positive sign for stocks in general as the value stocks play catch up to the growth stocks.

Like most years, 2021 will not be void of surprises. The evidence we have now suggests that the pandemic may soon be under control, and the economy is on solid footing with plenty of reasons to expand. All of that adds up to the potential for another positive year in the market.

Counting Ballots

By James G. Steproe, J.D. - President



In the old days, people commonly voted with paper ballots dropped into a locked box with a slit on top. When voting was over the box was open and the ballots counted. Did they ever run into difficulties? Probably not, one would think. After all, it was so simple! Right? Well, let me tell you a little story about New Hampshire's Constitutional Convention, held in Concord in December 1876, and the vote which followed in March 1877. - *Continued on pg. 3*

Counting Ballots - cont.

At that time New Hampshire's Constitution dated back to 1792, and in it was a provision that you had to be a Protestant to hold public office. No kidding! We may have fought a revolution to establish certain rights and privileges, but as we know back then those rights and privileges did not apply to everyone, and they certainly did not want those Papists from Manchester holding public office. Heaven forbid!

However, just so you know, this provision was never really enforced, and it certainly was not being enforced in 1876. Indeed, there were several Catholic and Greek Orthodox representatives at the Convention. One suggested that the provision was an embarrassment to the State, given the fact that they had just fought and won the Civil War. Another dryly quipped fellow said that he was afraid that any attempt to enforce this provision, might cause one of New Hampshire's most decorated units, consisting of Irish Americans from Manchester, to reestablish itself and march on Concord. So, it was not very surprising that one of the convention's most proposed amendments was to remove the offensive language.

Under New Hampshire's Constitution, an amendment will be adopted if it passes by two-thirds of the votes cast statewide. In March 1877, an amendment to remove the offensive provision, along with other proposed amendments principally relating to the size of legislature, was submitted to the body electorate for its consideration, and that is when the fun began.

The modern adding machine was invented in 1882 and widely used by the end of that decade. In 1876, however, people were still manually adding up columns of numbers, just as people had done ever since the Sumerians invented the column. They really had no choice. Certainly, Microsoft's Excel or even an adding machine with a tape was in the future.

The Constitutional Convention proposed 13 amendments to the Constitution, and in 1877 there were 242 separate towns and city wards throughout the state, almost identical to those that exist today. The vote for each of the proposed amendments from each of these towns and city wards was recorded as required in the state archives.

Some years ago, as part of a Master's thesis at Dartmouth College, I analyzed the vote of each town and ward for each one of the proposed amendments. I carefully extracted the columns of figures from the state archives, and my wife Mary and I double-checked these figures for accuracy. The shocking moment for us came when I began to hit the tally button for each of the columns. Not one column was accurate - Not one!

But before you rush to the barricades with broken bourbon bottles, keep in mind that the differences were small, and the correct figures would not have changed the result for any of the amendments. However, in reaching these conclusions, I did have one scare. - *Continued on pg. 4*

Counting Ballots - cont.

The proposed amendment we have been talking about was originally reported as having received two-thirds of the vote of the electorate by only 46 votes. Well, when I hit the tally button the number 7 popped up. This was scary enough, however, I initially misread it to mean the amendment had lost by 7 votes. I immediately imagined myself an instant media star explaining my extraordinary find on the evening news.

Indeed, I initially shouted out a few things that cannot be quoted accurately in an article such as this one. But what did this all mean? Did New Hampshire's Constitution, in the late Twentieth Century, still have a provision that would require one to be a Protestant to hold public office? How embarrassing would that be in the "Live Free or Die" state?

Alas, we no longer have such a provision, but no thanks to a significant number of New Hampshire voters in 1877., Passing by a mere seven votes, even in 1877, was frankly shameful. Oh well, progress can take time.

Finally, we still have problems counting the vote. We now have adding machines with tapes as well as digital spreadsheets; however, we also had in a national election 150 million votes to count. On the other hand, this just might be emblematic of the fact that counting many things is not as easy as it might seem; however, in this case getting it right is important for the preservation of our Republic.