TILIA NEWS

INVESTMENT MANAGEMENT | FIDUCIARY ADVICE | RETIREMENT PLANNING

Blake Fletcher Joins Tilia

Tilia was fortunate enough to add a 5th investment advisor & 3rd CFP® professional to our team in September of 2020. Blake is originally from Henderson, NC, and comes to us with considerable experience. Blake started his career at Fidelity Investments, where he worked with executives & highly compensted employees of large U.S. companies to educate & manage their 401k, Pension & Deferred Compensation plans. Prior to joining Tilia, Blake was an Associate Financial Consultant at Charles Schwab.

We're thrilled to have Blake on the team. His experience will make him an excellent counselor to those fortunate enough to work with him in the future.

A Note on Crypto-currencies

Nowhere in financial markets are the speculative winds blowing any stronger than they are in crypto-currencies. Bitcoin continues to march

Market Thoughts

In the face on global pandemic, the broad stock market has been on an incredible run. While many of the people we talk to remain in disbelief, or are focused on an inevitable near-term drop, others believe we are in the early stages of a long & prosperous period for the markets & the economy. While near-term market movement is always unpredictable, the reasons for the recent run, and why it may continue are relatively straight-forward:

1) While headlines focus on direct stimulus checks, the less discussed stepped-up unemployment benefits, PPP payments to small business owners, and other stimulus programs have provided a major boost to Americans.

2) The investor-class came into the pandemic riding a decade-long bull market, while regulations imposed following the financial crisis kept large-scale risk-taking from getting out of hand. Investors were flush going into the Spring crash, and the market spiral was short-lived enough to keep most people from selling out & locking in lasting damage to their net worth.

3) The average person is home far more than usual and feeling deprived of entertainment. This is leading to significantly increased engagement from retail investors.

4) Strong vaccine candidates surfaced quickly, and continued good news on that front has convinced investors to overlook the short-term weakness in corporate earnings. Shares of high quality hotel groups, entertainment companies & other highly impacted stocks have largely erased their COVID losses.

5) There is considerable stimulus that hasn't been paid out, with more on the way. This ties back into #1, but the amount of US currency in circulation rose 15% in 2020. The money supply increased 26% for the year, which is truly incredible. On

higher, buoyed by recent news of Tesla investing a portion of their reserves into the currency, and accepting it as payment. Another major crypto-currency, Ethereum, is now being bet on by traders in the form of futures contracts on the Chicago Mercantile Exchange. These are huge headlines for an area of the market that was not taken very seriously just a few short years ago.

Back in late 2017, this newsletter took at look at crypto-currencies and came out of it with the view that the technology was valuable, but there was no limit to the amount of competing currencies that could be adopted, and this would be a negative for prices. We were not surprised when crypto-currencies crashed in 2019, in fact we were feeling smart for a few minutes. In nearly every way, it mirrored other historical bubbles, which leave behind a sector that is in ruins for an extended period of time. We were wrong, as crypto has come back stronger than ever in the last 2 years.

It's impossible to say where it goes from here, or what any of these "coins" are really worth. At the current pace of adoption, it certainly seems as though it is here to stay, in one form or another. On the positive side, if other corporations follow Tesla's lead, or if a government decides to hold some reserves in crypto, that would add some fuel to the

average, Americans have more money in their pockets than they did pre-Covid.

6) Expanding upon #5, "Modern Monetary Theory" is becoming much more accepted, which states that countries that print their own fiat currencies, and borrow in their own currency, should not be constrained by how much revenue they generate. According to this theory, deficits don't really matter if you can fulfill your debts with newly printed money. Right or wrong, expect that way of thinking to drive more ambitious government spending programs in the years ahead.

7) Starting next month, corporate earnings & economic activity will be measured against 1-year comparisons from lock-down periods. Rather than focusing on the exact number of dollars a company earns in profit, or the total GDP of the economy, the market tends to care more about the rate of improvement, which will be robust.

8) There is an incredible amount of pent-up demand for everything ranging from international travel, to sports games & concerts, to hip replacement surgeries. All signs point to an economic surge as vaccinations circulate through the economy & options open up.

9) The swift economic dive in 2020 forced most corporations to make their operations leaner, which should improve profit margins as the economy rebounds.

Considering these and other factors, the most significant risk is to the upside. Stocks could go significantly higher in the coming years, leaving the un/underinvested behind. Wealth is relative, and what used to seem like a lot of money will seem like far less in the future.

While this may seem like a very bullish point of view, it is not an invitation to throw caution to the wind. The quality of an asset and the price you pay for it still matters, and those chasing the hottest areas of the market right now are at risk of holding the bag when sentiment swings & the exit closes abruptly.

Crypto-currencies (continued)

fire. On the negative side, we would not underestimate the U.S. (and other governments) willingness to change the rules for crypto. Crypto enthusiasts talk about the lack of government oversight, but governments still hold a lot of sway. They can implement onerous taxes on crypto trades/profits and introduce stifling regulation to the industry. As a reminder, we do not hold or execute crypto-currency trades on behalf of clients & our custodian does not offer that service at this time. If you hold, or are considering buying crypto assets, we can provide general advice regarding the amount of your net worth that is suitable to tie up in this speculative asset class.