

# A View FROM THE TOWER

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What a 2020 it was. Certainly one for the history books in multiple ways, even though most of us would likely opt to forget several facets as soon as possible.

The fourth quarter saw the financial markets, global equities in particular, continue to bounce back with astonishing resilience. Many investors once again learned the lesson that patience is indeed a virtue and being “out of the market” for even a few days can have a seemingly outsized impact on long-term returns. The primary storyline remained the ongoing battle with COVID-19, not only from a financial perspective in light of the initial and ongoing economic and social restrictions, and even shutdowns, but also from a health related one as well. That being said, during the quarter, the following were some key coronavirus specific related items:

- Numerous vaccine candidates continued to progress at unprecedented speeds with two becoming available for so called “Phase 1a” distribution in December. Although determined by each state in contemplation of recommendations from the Centers for Disease Control and Prevention (CDC), the group receiving these initial dosages tended to include health care personnel and long-term care facility residents. “Phase 1b” is expected to include essential workers such as educators, police, firefighters, transportation workers, utility personnel and those involved in the food and agriculture industries. The timeline for these phases, along with subsequent ones, has yet to be determined.
- “Re-openings”, including schools of various levels across the country continued to commence, but as case numbers spiked nationally, in person classes gave way for many to remote learning once again.

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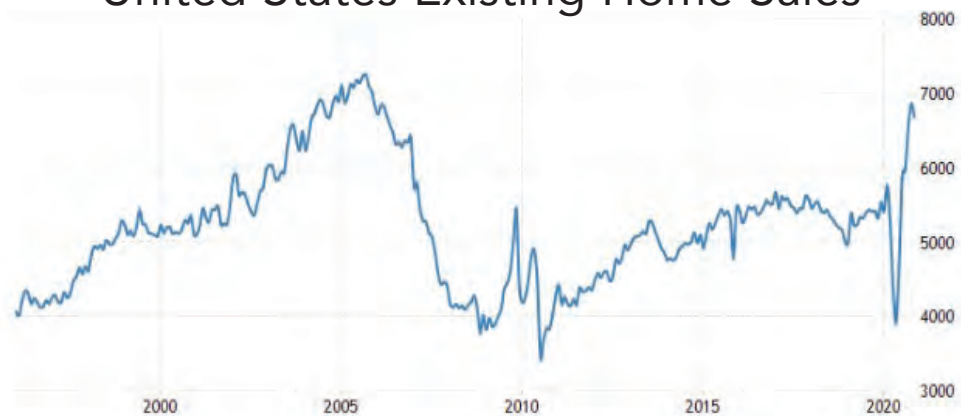
- State by state, governmental entities of various types took a variety of routes in an attempt to balance the financial and human risks.
- Across the globe, the concern about a significant “second wave” seemed to come to fruition. Late in the quarter, a feared mutation of the virus reared its head in the United Kingdom, resulting in the curtailed movement of people along with freight across the eurozone. The hope is that this “second wave” will be relatively short-lived as the global mass vaccination process sets the stage for a sustained recovery in economic activity by mid-2021.

From a broader perspective, as we entered the fourth quarter, in addition to COVID-19 there was an atmosphere of angst in light of the ongoing politically charged environment preceding the U.S election along with what was anticipated to be a monumental fight over the filling of the Supreme Court vacancy left by the passing of Justice Ginsburg. Although not without consternation and heightened emotions, the prognosticated worst case scenarios in both cases thankfully never materialized. However, it can certainly be surmised that each produced enough political theater to delay the passing of a fiscal stimulus package. On this front, although often the subject of debate, when it comes to a fiscal package it does seem like its size is a key element, even if the details of it might not end up being the most productive measures. The primary objective is that it acts as an economic bridge until vaccines are widely distributed.

#### On the economic front:

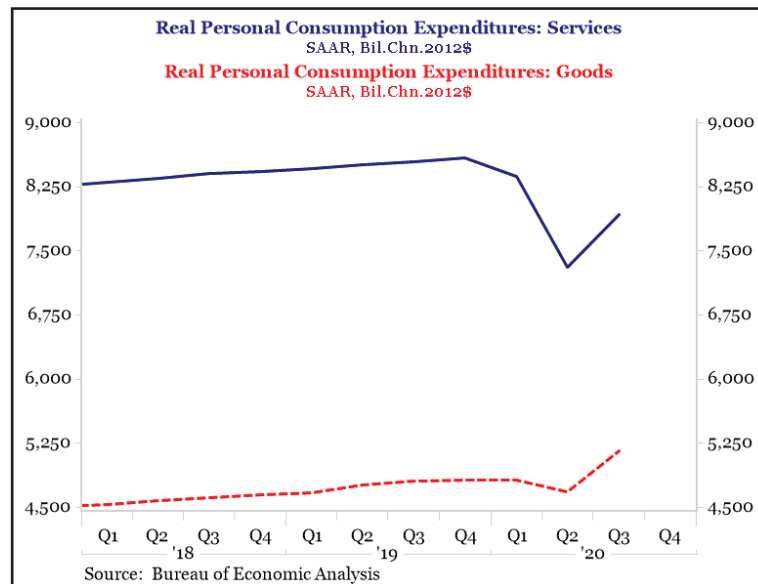
- The “modern economy” remained relatively robust as technology continued to provide a strong tailwind, even presumably expediting the evolution of business practices across a variety of industries.
- While the small business sector continued to struggle, large companies in many cases experienced considerable, even growing strength.
- Housing remained a particular source of growth (including sales of new and existing homes) as low interest rates on mortgages and the remote work environment attracted many to suburbanize.

### United States Existing Home Sales

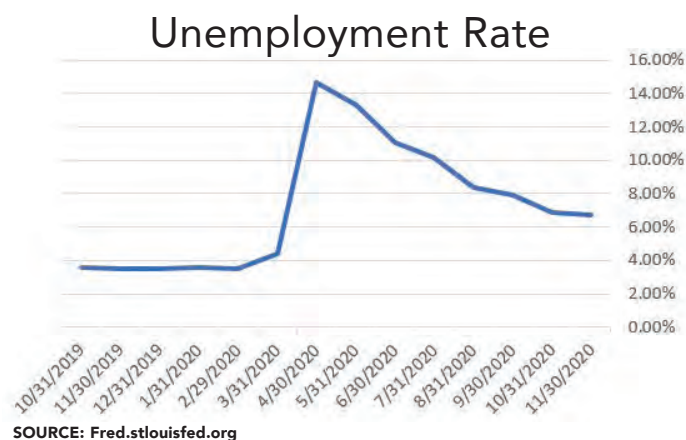


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- In general, although consumer spending saw some weakness, the demand for goods continued to outpace that of services. As has been mentioned regularly in our previous publications, the consumer constitutes approximately 70% of the U.S economy making consumer sentiment and activity critically important.



- In light of this dynamic, overall inflation slid as pricing for services slumped. Despite exceptionally easy monetary policy and unparalleled fiscal stimulus, the Federal Reserve projects core inflation will likely not reach the 2% level until 2023.
- Despite headlines focused on a “no deal” BREXIT, a trade deal between the European Union and the United Kingdom was struck on Christmas Eve.
- As shown in the graph below, the U.S. Unemployment Rate has fallen significantly from its April high which exceeded the 14% level, but remains materially above the sub-4% status achieved prior to the outbreak of the pandemic. It should be noted that toward the end of the quarter U.S. jobless claims did begin to tick up.



As we enter 2021, like it or not, politics will take center stage again in early January (and indeed did) with the Senate elections in Georgia. Even with the recently passed, heavily front end loaded \$900 billion fiscal stimulus bill, this topic in general probably will continue to be at the forefront in Washington as multiple constituencies clamor for assistance. Consumers and the small business sector will likely remain the focal points for relief not only during the first half of 2021, but also beyond. Industries such as Healthcare and Transportation, including airlines, will probably be prime recipients as well. One hotly debated area is state and local governments. However, on the local front, revenues are heavily tilted toward property taxes which are based largely on housing values and have by and large been trending upward. States have been demanding relief as well, but at least from a statistical standpoint, worst case revenue decline forecasts have not come to fruition; in some states quite the contrary. A December 23rd Wall Street Journal editorial commented on a U.S. Census Bureau report that "state and local government tax revenues for the twelve months ending in September were up \$46.4 billion (3%) year-over-year. Personal income tax revenue increased 3.3% and property tax revenues 4.7% while sales taxes dipped a mere .4%." All the more fodder for political theater. Hopefully slim constituent margins within the House of Representatives and the Senate will lead to some level of reconciliation of not only behaviors, but also outcomes.

With all the above being said, we remain on an economic, health and emotional rollercoaster, among other things, and unfortunately it appears we are still not yet "out of the woods". All of us at Country Club Trust Company/Tower Wealth Managers, along with the entire Country Club organization, continue to hope that you and your families have been coping as well as possible during this time and will continue to do so. We know it has not been easy. Please be assured that we continue to work diligently in a social distancing mode, remaining fully capable to provide the level of service you have come to expect and deserve. We want to be of assistance in any way we can. Should you have any questions, we are always here for you.

Happy New Year!

Thank you and take care!



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