

## 2021 Picks Up Where 2020 Left Off

The global economy continues to heal from the ravages of the COVID pandemic. After shrinking almost 4% last year, global GDP is expected to grow around 5% in 2021. Here in the U.S., expectations are similar, but that growth will be dependent on efficient vaccine distribution and the consumer being comfortable getting back into society. There is still plenty of fiscal support on the way from Congress and the Federal Reserve is committed to keeping interest rates low for years to come.

Stock markets have continued to climb higher, but this continues to keep valuations high as well. Earnings are expected to grow 22% this year after falling 12% in 2020. This will help support valuations as long as prices don't grow faster than earnings.

## Global Economic Growth

Region/Country	2020 Est.	2021 Est.	2022 Est.
World	-3.7%	5.2%	3.9%
International Developed	-5.1%	4.1%	3.3%
U.S.	-3.5%	4.1%	3.3%
Eurozone	-7.3%	4.7%	3.8%
International Emerging	-0.8%	5.1%	5.1%
China	2.1%	8.2%	5.5%

Source: Bloomberg Economic Forecasts; as of 1/15/2021

## Market Returns

Source: Morningstar Direct data as of January 31, 2021

Asset Class	Index	Total Return 1 Month	Total Return YTD	Total Return 1 Year	Annualized 3 Year	Annualized 5 Year
Global Equities:	Diversified Equity Benchmark*	-0.31	-0.31	17.74	10.14	14.86
Domestic Equities:	S&P 500 (Large Cap)	-1.01	-1.01	17.25	11.70	16.16
	Russell 2000 (Small Cap)	5.03	5.03	30.17	11.11	16.50
International Equities:	MSCI EAFE (Developed)	-1.07	-1.07	8.94	2.23	8.84
	MSCI Emerging Market	3.07	3.07	27.90	4.42	15.03
Fixed income:	Barclays Intermediate U.S. Gov't/Credit	-0.28	-0.28	4.65	4.88	3.33
	Barclays Muni Short-Interm 1-10 Years	0.34	0.34	3.12	3.88	2.61
	Barclays Global Intermediate	-0.65	-0.65	6.63	2.64	3.20

FNBO's investment management team has completed the **2021 Outlook** which can be found [here](#).



Our Chief Investment Officer, Kurt Spieler also presented the key points of our outlook to clients in a WebEx presentation. A recording of this presentation can be found [here](#) and will further explain our thoughts behind our outlook for the coming year.

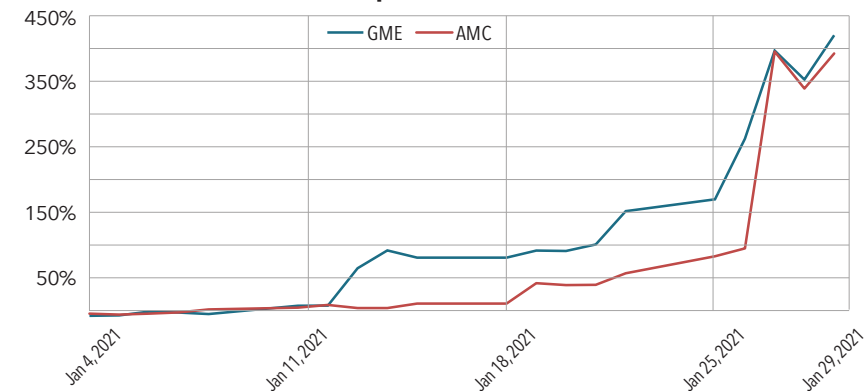
## Behavioral Finance Front and Center

In our **2021 Outlook**, we highlight investor behavioral biases. One of those is herd mentality. Individuals who "follow the herd" tend to buy into the stock market after it goes up and sell when the market corrects. In extreme cases, this can lead to stock market anomalies, such as bubbles and crashes.

At the end of January, we witnessed an excellent example of this bias as retail investors on message boards banded together to purchase zombie companies such as GameStop and AMC. This resulted in driving the price of these stocks up substantially, as seen in the chart. These trading anomalies are based on speculation and not fundamental analysis. Having a disciplined investment strategy helps avoid exposure to unnecessary risk and volatility. To learn more about what happened recently with GameStop and other shorted stocks, [read our blog post](#).

Please see important disclosures on the next page.

## GameStop & AMC - YTD



Source: FactSet

## Commentary Team:

Rick Frevert, Scott Summers CFA®, Matt Veenker CFA®, Dave Young

## Sources:

Bloomberg, Morningstar, FactSet, Crandall Pierce

\*Benchmark consists of Russell 3000 (76%), MSCI ACWI ex US (20%) and FTSE EPRA/NAREIT Global (4%)

## Index Definitions:

Barclays Global Intermediate: Index that measures global investment grade debt from 24 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Barclays Intermediate US Government/Credit Index: a broad-based flagship benchmark that includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities, within a 2-10 year maturity range.

Barclays Municipal Short-Intermediate 1-10 Years: Index that measures the performance of US municipal bonds with time to maturity of between one and ten years.

FTSE EPRA/NAREIT Global: an index used to track the performance of listed real estate companies and REITS in both developed and emerging markets.

MSCI ACWI ex US: an index that captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 2,136 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

MSCI EAFE - Developed International: created to reflect the performance of small- to large-cap stocks across the developed regions of Europe, Australasia, and the Far East (EAFE). The index was developed by Morgan Stanley Capital International (MSCI) in 1969 and lists 926 stocks from 21 countries in the EAFE.

MSCI Emerging Market: an index used to measure equity market performance in global emerging markets, consisting of 23 economies including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

Russell Indices: The Russell 3000 is a market-capitalization-weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S. traded stocks which represent about 98% of all U.S. incorporated equity securities. The Russell 2000 index measures the performance of approximately 2,000 of the smallest companies in the Russell 3000 index.

S&P Indices: The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. Other popular indices include the S&P MidCap 400, which represents the mid-cap range of companies and the S&P SmallCap 600, which represents small-cap companies. The S&P 1000 is a combination of the S&P 400 and 600, representing the small and mid-cap market. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 combine to create a U.S. all-capitalization index known as the S&P Composite 1500.

CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

The performance data quoted represents past performance and does not guarantee future results. Not FDIC Insured. May Go Down in Value. Not a Deposit. Not Guaranteed by the Bank. Not Insured by any Federal Government Agency. First National Bank - Investment Management is a division of First National Bank of Omaha.

The information, analyses and opinions expressed herein are intended to serve as general information only and should not be relied upon by any individual or entity as advice or recommendations. It is not intended to constitute legal, tax, securities or investment advice.

Indexes shown are market indicators and are for comparative purposes only. They are not meant to represent any actual investment. Indexes are unmanaged and cannot be invested in directly.