Alpine Bank
Wealth Management

April 20, 2021

Dear Wealth Management Client:

A year ago, we wrote to you about our efforts to keep our clients safe while maintaining the highest level of service. At last, the Wealth Management team is in a position to meet with you face to face. Alpine Bank locations are following local community guidelines around COVID and are staffed as those guidelines allow. But in all locations we can set up an advance appointment to meet in person, behind masks if you wish. We look forward to seeing you soon.

As we roll into the second quarter of 2021, Brian Fraser, SVP and Director of Investments, shares these thoughts and analysis:

The market has been a pendulum of extraordinary moves in both negative and positive directions over the past year. Last year we found ourselves facing great fear and uncertainty within financial markets and the economy, driven by the COVID-19 pandemic and efforts to contain it. Merely one year ago we had just endured a bruising 33.9% decline over five weeks that bottomed out on March 23, 2020. This decline represented one of the fastest moves into a bear market ever, taking only 22 days to move from the all-time highs in the S&P 500 to a decline of more than 20%. At that time it was essential that policymakers acted quickly and boldly to help reduce the drastic impact of the global shutdown.

The stabilization policies enacted domestically and internationally over the past 12 months undoubtedly staved off a much longer and more painful economic and financial recession, as the stimulative initiatives provided the support—and equally important, the confidence—to individuals, families, businesses and communities to begin the recovery. However, the byproduct of massive stimulus are price increases with similar orders of magnitude occurring in other parts of the market. Financial assets, particularly equities, were a benefactor of the stimulative policies. From its low in late March 2020, to the end of the first quarter 2021, the S&P 500 rose 77.6% and has posted a 56.3% return over the past trailing 12 months. This represents the best 12-month performance of the index going back to 1940, and those who were able to stay the course through the volatility and uncertainty were rewarded for their patience and discipline.

With every well intentioned and/or needed stimulative policy, the seeds of the next asset bubbles are sown, and it's usually in the most innovative, least regulated and least understood areas of the markets. Though a very small part of the market, one could certainly make the argument that a great number of cryptocurrencies and NFTs (non-fungible tokens) are experiencing mania-like price movements. Likewise, social media pumped penny stock campaigns have become mainstream with the short squeeze in GameStop (GME) and the congressional hearing thereafter as an example of the ever-growing number of new traders coordinating and deploying a potentially disruptive amount of capital. With these and other anecdotal signals, we find ourselves in a starkly different market environment than we were in a year ago.

Today's market environment is one of high expectations and exuberance, driven by stimulative policies, historically low interest rates, a better-than-expected rollout of the COVID vaccine, and improved economic outlooks. Additionally, a new breed of trader was born during the shutdowns. Using platforms like Robinhood, TikTok and Reddit, these new traders are engaging in equity and options trading based on social media threads. Given the generally positive trend in the markets during the shutdowns these traders have been emboldened by risky social bets that have been in the right direction, reinforcing their behavior and lulling them into a sense of "trading and investing is easy" mentality. This, of course, is a very familiar mirage that usually presents itself in nearly all bull runs, and history has shown that it is wise to exercise caution and prudence in periods of high exuberance.

We have experienced the trials and tribulations of a full economic cycle in a very condensed period of time, and we will likely continue to experience these events for the foreseeable future as we continue to address COVID and mend the economic damage it caused. As we recommended a year ago when the market conditions were dire, we reiterate in today's exuberant markets: Focus on your long-term objectives, stay invested, stay diversified and leverage your team at Alpine Bank Wealth Management. Thank you for your continued trust and business.

Sincerely,

Tim Kenczewicz, J.D.
President
Alpine Bank Wealth Management

Brian Fraser, CFA
SVP/Director of Investments
Alpine Bank Wealth Management