THE DANA VIEWPOINT

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Dow: 30,724

What Goes Up...

Well, I guess we have to talk about GameStop. First, let's give a little history about how GameStop got here. The company has been struggling for years as gaming businesses moved to online distribution and relentlessly away from the business model of selling hard copies at local brick and mortar stores. GameStop had gone from a price of $57 a share in 2013 to less than $3.00 in April of last year. Revenue has declined over 40% in less than three years. Earnings have been negative in five of the last six quarters. GameStop actually bought back about one-third of their stock in late 2019 and early 2020, but was unable to move the price of the stock out of the single digits. Needless to say, this is not a company you will find in a Dana portfolio.

GameStop being a favorite of the short crowd is nothing new; the amount of shares sold short was above 60 million in 2015, moved back above that level in mid-2019, and has been at that level ever since. This is a large amount of shorting based on the amount of shares outstanding. Why hasn't a short squeeze taken place over the past five years? Nobody knows. We would expect GameStop to retrace most of its move and head back below $40 per share, and probably lower, although it may take a few months. No value will have been created in an economic sense, just gains transferred from those who bought high and sold low, to those who bought low and sold high.

The overall markets still appear to be in recovery phase. Bond yields drifted slightly higher as vaccine distribution continued. The Fed stated that they will continue to remain accommodative, putting a lid on overall yields. Value sectors of the market continue to keep up with growth sectors of the market. This rotation began in the fourth quarter and has continued in the first, another healthy sign for the market when a broader number of companies participate on the upside.

We are in the middle of earnings season, and the results have been very encouraging so far. It is always difficult for market analysts to gauge the speed and magnitude of both earnings declines and recoveries, so we cut them a break on accuracy. Both earnings and revenue beats are running above their recent averages. These positive results are responsible for the market averages holding near all-time highs. We remain optimistic and forward looking, as these results were generated in the middle of a third discrete spike in COVID-19 cases and deaths that took place during the fourth quarter.

(CONTINUED ON REVERSE SIDE)

COVID-19 vaccines are being distributed and administered at a rate near one million per day. The rate of new cases, hospitalizations, and deaths have all begun to decline in most areas of the country. The CDC recently declared 26 million cumulative cases in the U.S., and 31 million doses of vaccine administered. We are hopeful that an increasing rate of vaccinations could put COVID-19 concerns in the rearview mirror towards the end of the first quarter, earlier than many suspect. This could provide a significant boost to both consumer confidence and spending. We will continue to hope for the best while preparing portfolios for potential challenges and opportunities.

Random thought: "If we merge mercy with might, and might with right, then love becomes our legacy and change our children's birthright" - Amanda Gorman, Inaugural Poem

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