

FINANCIAL MARKET UPDATE

Markets rallied in the 4th quarter, on a combination of stronger economic data from the US, and a preliminary “phase-one” trade deal between US and Chinese officials. Emerging Markets were the strongest performing asset class during the quarter with a return of 11.8%, and US Equities also performed strongly. After leading all assets for the majority of the year, Real Estate fell slightly for the quarter. Overall, 2019 represented a strong year in the markets. US equities continued to show their strength and portfolios were also supported by strong growth from diversifiers such as Infrastructure, Real Estate, as well as International Equities.

As we enter a new decade in 2020, the US Economy remains stable, although there are economic and geopolitical challenges that bear watching for the global economy. Many believe expected returns could be more moderate after strong financial markets in 2019.

Asset Class	4th Quarter Returns	2019 Returns
Fixed Income (Bonds)	0.5%	6.7%
US Large Cap	9.1%	31.5%
US Mid Cap	7.1%	26.2%
US Small Cap	8.2%	22.8%
Developed International	8.2%	22.0%
Emerging Markets	11.8%	18.4%
Equity Alternatives	1.7%	7.6%
Infrastructure	4.9%	25.8%
Real Estate	1.1%	24.3%

An index is a hypothetical portfolio of securities representing a particular market or a segment of it used as indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly

INTEREST RATES

After cutting interest rates three times in 2019, the Federal Reserve held rates steady at their year-end meeting. Chairman Powell signaled the Fed was comfortable with the current level of interest rates and does not anticipate the need to make any policy changes looking into 2020. They will be closely monitoring the underlying economic situation for any changes. 10-year

government rates are currently at 1.82% and the national average for the 30-year mortgage rate is at 3.64%.

EMPLOYMENT

The US job market remained stable in the 4th quarter. The US economy added 145,000 jobs in December, falling mildly short of projections, however, November job readings strongly exceeding expectations with 256,000 jobs, and October added 152,000. The unemployment rate remained steady at its 50-year low of 3.5%.

US ECONOMY

US GDP growth increased slightly to 2.1% in the 3rd quarter, from its pace of 2% in the 2nd quarter. It is expected that the US economy maintained this moderate pace of growth into year-end. The strength of the US consumer has continued to support US growth this year, and we saw strong retail sales in the 4th quarter that exceeded the prior years figures. Business activity dealt with a period of weakness due to uncertainty on the trade front, however, we could see a pick-up in this with the signing of a “phase-one” trade deal this month.

For 2020, US growth is expected to remain close to its current moderate pace of 2.1%. Although recessionary concerns elevated in mid-2019, the economic situation appears to have stabilized somewhat and a near-term recession remains a lower-probability event.

2020 OUTLOOK

- US Presidential elections will be a major focus and many will look to the Iowa caucus in early February for clarity on the Democratic challengers
- US and Chinese trade officials will meet to confirm and sign the details of their “phase-one” trade deal in mid-January
- Brexit could happen as soon as January 31st if the latest withdrawal deal is approved by the EU

We are monitoring the development of these events and their impact on our client’s portfolios and continue to emphasize investments with a focus on quality in this market environment.