

Monthly Market Commentary

Welcome to the “Roaring 20’s”

Happy New Year to all as we buckle up for a brand new decade! 2019 closed on an upswing with the best performance since 2013 and record highs across the Dow, Nasdaq, and S&P 500. This was the complete opposite from a year ago when investors experienced the worst December on record and a Christmas Eve meltdown. So what lies ahead after prolonged trade talks with China, interest rate swings, an upcoming impeachment/election, and possible war with Iran?

Trade Deal Update

It appears phase 1 of the trade deal with China is set to be signed on January 15th as the Chinese delegates will arrive in Washington on January 13th and the signing ceremony is expected to take place two days later. Nothing is signed and sealed until officially executed, but this is positive progress. Phase 2 negotiations are said to begin immediately thereafter which we will continue to monitor as deliberations progress.

Interest Rates & the Economy

The FED is currently on hold with the latest FED minutes confirming all FOMC members were unanimous in voting to leave rates unchanged with the start of the year. There is debate whether the next interest rate move will be up or down, but consensus is rates will remain stable for most of 2020. The economy is still resilient as the latest unemployment rate and inflation numbers remain low. Q4 corporate earnings season starts next week and preliminary chatter points to better than suggested earnings with upwards revised growth estimates for 2020. Additionally, there do not appear to be any indications of a recession in 2020 and we are now in an election year which typically produces positive market results.

However, there are some cracks starting to form within the manufacturing sector. We have had four months of the ISM Manufacturing Index below 50 which signifies contraction. We will monitor the data to see what, if any, effects this weakness in manufacturing has on corporate earnings potentially weakening the economy.

Impeachment and Iran

The political climate is not as “rosy” as the economic environment as President Trump faces impeachment. No one is certain if and when impeachment articles will be passed from the House to the Senate and when hearings will take place, but the power battle between Republicans and Democrats lingers on.

Last Friday, the U.S launched a drone strike that killed Iranian General Soleimani. The impeachment debate has taken a back seat as the Iranian situation heats up with Iran retaliating, firing missiles at one of our foreign bases in Iraq, largely to send a message to the U.S. A prolonged war with Iran will not bode well for either side, however President Trump’s speech earlier this week reassured National Security, sending stocks to all-time records. The Iranian situation is fluid and may carry on for a large part of 2020. It is too early to make any significant moves but we are closely monitoring the situation and will pivot if needed.

What We Are Doing

There are continuous economic challenges and hurdles when trying to assess markets movements and we have always been data dependent when making portfolio changes. At the moment, we are optimistic about 2020 but situations can change quickly and we strive to be proactive rather than reactive within our tactical sleeves of the portfolio.

Equities: We are still more positive on domestic equities over foreign equities but believe the difference gap will shrink this year. Value holdings have recently outperformed Growth holdings and we will continue to maintain our small value positions until we see the trend reverse. We maintain a preference towards lower cost index holdings over active managers for the majority of the equity sectors.

Fixed Income: Interest rates seem stable at the moment and we are seeking yield where possible. We are allocating into both individual bonds as well as fixed income ETF's and Mutual Funds.

For a more in-depth analysis of the global markets, please click [here](#) for our most recent market commentary.

As always, if you have any questions or would like to discuss your accounts or financial situation further, please call your advisor directly or email us at clientservices@benchmarkfinancial.info. Please visit our website at www.benchmarkfinancial.info for more information on our planning services.

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