Driven to Perform.

Monthly Market Commentary

MCF CAPITAL MANAGEMENT

Optimistically Driving into 2020

December 2019 | Marco Fragnito, Managing Principal | Robert R. Fragnito, Chief Operating Officer

KEY POINTS:

- November witnesses new all-time highs across all major market indexes.
- Economic and market news, in our view, is signaling positive direction for markets at year-end and into 2020.

EQUITY MARKET

Investor sentiment in November was lifted by better than expected third quarter earnings, better than forecasted economic news and generally positive developments on trade. New all-time highs were registered on all major market indexes. For the month the S&P 500 gained 3.4%, Dow Jones Industrial Average rose 3.7% while the Nasdaq Composite climbed 4.5%.

With both Chinese and US government officials voicing optimism that completion of phase 1 of the trade deal was close, equity markets seized on the comments to rise throughout November. The S&P 500 set record highs on more than half of all the month's trading days. With equities being further supported by a stronger than expected second reading on US economy GDP for the third quarter, coming in at 2.1% versus expectations of 1.9%.

FIXED INCOME

Economic news continued to surprise to the upside overall. The October jobs report showed a gain in non-farm payrolls of 128,000, well above the forecast gain of 82,000. Despite the continued weakness in manufacturing, the American consumer remained strong with retail sales rebounding in October from September. The University of Michigan consumer sentiment reading also continued to show strong consumer confidence.

With the Federal Reserve's monetary policy remaining accommodative, the economy appears poised to have bottomed or in the process of bottoming. We would expect economic growth to strengthen and earnings to once again start growing, leading to yields rising across the yield curve.

MARKET OUTLOOK

We have been bullish on equity markets throughout the year while many remained cautious, we remain bullish heading into 2020. Portfolio's remain positioned to take further advantage of future gains. Our preliminary outlook is for positive returns in 2020, although not at the level seen this year. We expect equity markets to be driven by a return to growing earnings, while P/E (price to earnings) ratios retreat in the face of rising long-term interest rates. We continue to remain negative on the direction for fixed income and urge investors to monitor durations on their fixed income portfolio's carefully. We want to wish you Happy Holidays and a Happy New Year.

If you have any questions please contact us directly at 949.472.4579, and feel free to forward this report and our contact information to anyone who might be interested.

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SOURCES

Wells Fargo Advisors, Jack Kraft, "Monthly Market Commentary," December 3, 2019.