

Market Commentary

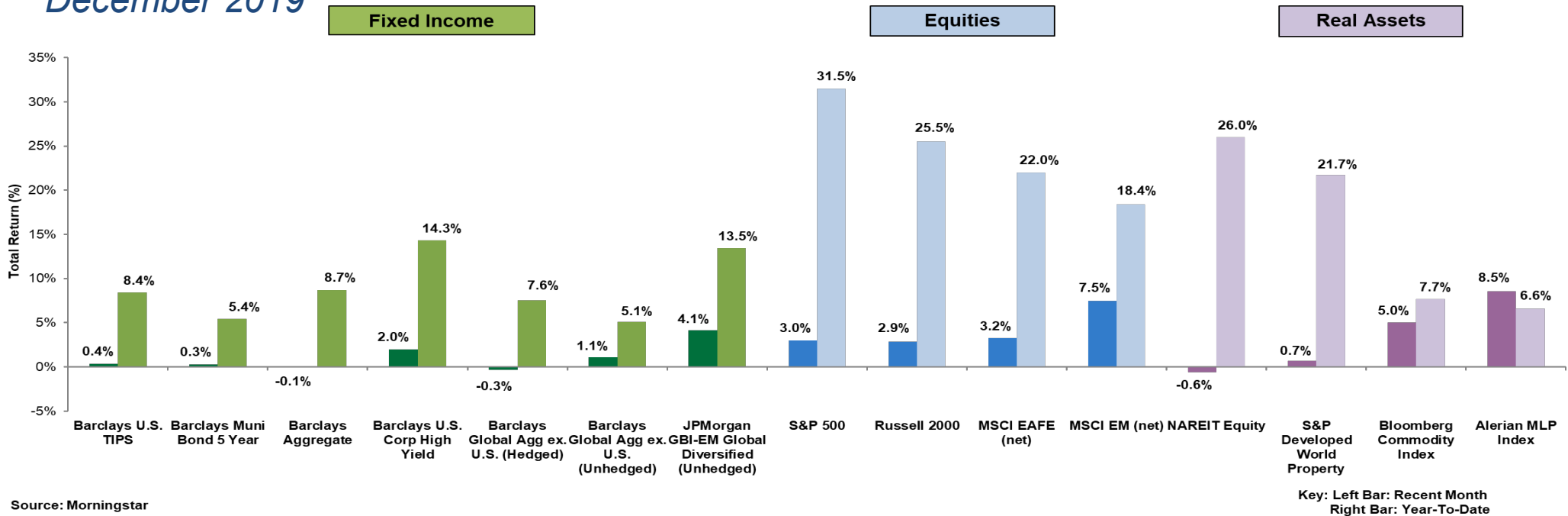
December 2019

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Global Markets Summary

December 2019

Asset Class Returns



Fixed Income

- U.S. Treasury yields rose across longer maturities with the ten-year rate finishing at 1.92 percent. The short end of the curve fell leading to a steepening yield curve.
- Rising rates during the month hurt domestic core fixed income returns. Risk-on sentiment benefitted non-investment grade bonds with lower quality (CCC) credits leading the upswing.
- Unhedged international bonds outperformed hedged on U.S. dollar weakness. Emerging markets posted the largest gains amid the risk-on rally.

Equities

- Domestic equities posted positive returns as investors viewed a “phase one” U.S. – China trade deal as imminent.
- Value broadly outperformed growth during the month. Technology, energy, utilities and healthcare led while consumer and industrial stocks lagged.
- International developed equities increased as investors reacted positively to easing trade tensions and more certain exit for Britain from the European Union. Emerging markets rallied on strong economic data in China’s industrial sector.

Real Assets

- Improving global economic data fueled hopes of continued growth in 2020, boosting commodities from oil to precious metals.
- Domestic REITs fell as rates rose and international REITs gained on signs of buoyed global growth.
- Downward pressure on MLPs was relieved as oil prices rose on expected production cuts.

Global Highlights

December 2019

United Kingdom equities gained after a landslide election victory for Prime Minister Boris Johnson and the Conservative Party. As a result, a January 31st Brexit deal is being negotiated with a transition period lasting until the end of 2020.

UK
5.2%

USA
3.0%

Brazil
12.5%

U.S. equities closed out the year on a positive note as the “phase-one” U.S. – China trade deal boosted sentiment. Risk-assets were in vogue going into the new year, as dovish commentary from the U.S. Federal Reserve indicated that a significant move up in inflation would be required to validate any policy rate hikes.

Brazilian equities soared on improving employment data and a shrinking deficit as a percentage of GDP. Low interest rates and the overhaul of Brazil’s pension system also spurred optimism going into 2020.

Stated returns reflect each country’s MSCI Gross Country Index in U.S. Dollars

Financial Markets Performance

Total Returns as of December 31, 2019

Periods greater than one year are annualized

All returns are in U.S. dollar terms

Global Fixed Income Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
Bloomberg Barclays 1-3-Month T-Bill	0.1%	0.4%	2.2%	2.2%	1.6%	1.0%	0.7%	0.5%	1.3%
Bloomberg Barclays US TIPS	0.4%	0.8%	8.4%	8.4%	3.3%	2.6%	1.1%	3.4%	3.8%
Bloomberg Barclays Municipal Bond (5 Year)	0.3%	1.0%	5.4%	5.4%	3.4%	2.4%	2.3%	2.9%	3.5%
Bloomberg Barclays HY Muni	0.3%	0.9%	10.7%	10.7%	8.3%	5.9%	5.3%	7.2%	5.6%
Bloomberg Barclays US Aggregate	(0.1%)	0.2%	8.7%	8.7%	4.0%	3.0%	2.7%	3.7%	4.2%
Bloomberg Barclays U.S. Corporate High Yield	2.0%	2.6%	14.3%	14.3%	6.4%	6.1%	5.8%	7.6%	7.2%
Bloomberg Barclays Global Aggregate ex-US Hedged	(0.3%)	(1.1%)	7.6%	7.6%	4.4%	3.9%	4.2%	4.3%	4.4%
Bloomberg Barclays Global Aggregate ex-US Unhedged	1.1%	0.7%	5.1%	5.1%	4.4%	1.6%	0.3%	1.5%	2.4%
Bloomberg Barclays U.S. Long Gov / Credit	(1.1%)	(1.1%)	19.6%	19.6%	8.1%	5.4%	5.1%	7.6%	6.7%
JPMorgan GBI-EM Global Diversified	4.1%	5.2%	13.5%	13.5%	7.0%	2.8%	(0.2%)	2.7%	5.3%
Global Equity Markets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
S&P 500	3.0%	9.1%	31.5%	31.5%	15.3%	11.7%	14.7%	13.6%	9.0%
Dow Jones Industrial Average	1.9%	6.7%	25.3%	25.3%	15.7%	12.6%	14.5%	13.4%	9.4%
NASDAQ Composite	3.6%	12.5%	36.7%	36.7%	19.9%	14.9%	18.2%	16.1%	11.0%
Russell 3000	2.9%	9.1%	31.0%	31.0%	14.6%	11.2%	14.4%	13.4%	9.0%
Russell 1000	2.9%	9.0%	31.4%	31.4%	15.0%	11.5%	14.6%	13.5%	9.1%
Russell 1000 Growth	3.0%	10.6%	36.4%	36.4%	20.5%	14.6%	16.9%	15.2%	10.5%
Russell 1000 Value	2.8%	7.4%	26.5%	26.5%	9.7%	8.3%	12.2%	11.8%	7.6%
Russell Mid Cap	2.3%	7.1%	30.5%	30.5%	12.1%	9.3%	13.2%	13.2%	9.5%
Russell Mid Cap Growth	1.2%	8.2%	35.5%	35.5%	17.4%	11.6%	14.8%	14.2%	10.1%
Russell Mid Cap Value	3.0%	6.4%	27.1%	27.1%	8.1%	7.6%	12.0%	12.4%	8.8%
Russell 2000	2.9%	9.9%	25.5%	25.5%	8.6%	8.2%	11.6%	11.8%	7.9%
Russell 2000 Growth	2.3%	11.4%	28.5%	28.5%	12.5%	9.3%	13.1%	13.0%	8.8%
Russell 2000 Value	3.5%	8.5%	22.4%	22.4%	4.8%	7.0%	10.1%	10.6%	6.9%
MSCI ACWI (net)	3.5%	9.0%	26.6%	26.6%	12.4%	8.4%	9.7%	8.8%	6.9%
MSCI ACWI ex. U.S. (net)	4.3%	8.9%	21.5%	21.5%	9.9%	5.5%	5.4%	5.0%	5.3%
MSCI EAFE (net)	3.2%	8.2%	22.0%	22.0%	9.6%	5.7%	6.3%	5.5%	4.8%
MSCI EAFE Growth (net)	2.9%	8.4%	27.9%	27.9%	12.8%	7.7%	7.9%	6.9%	5.8%
MSCI EAFE Value (net)	3.7%	7.8%	16.1%	16.1%	6.3%	3.5%	4.8%	4.0%	3.8%
MSCI EAFE Small Cap (net)	4.4%	11.5%	25.0%	25.0%	10.9%	8.9%	9.4%	8.7%	7.0%
MSCI Emerging Markets (net)	7.5%	11.8%	18.4%	18.4%	11.6%	5.6%	3.3%	3.7%	7.5%
Real Assets	1 MO	3 MO	YTD	1YR	3YR	5YR	7YR	10YR	15YR
FTSE NAREIT Equity REITs	(0.6%)	(0.8%)	26.0%	26.0%	8.1%	7.2%	9.5%	11.9%	7.9%
S&P Developed World Property ex-US	2.3%	5.1%	20.6%	20.6%	10.4%	6.2%	6.0%	7.5%	5.7%
S&P Developed World Property	0.7%	1.8%	21.7%	21.7%	8.3%	5.8%	6.9%	8.7%	5.9%
Bloomberg Commodity Total Return	5.0%	4.4%	7.7%	7.7%	(0.9%)	(3.9%)	(6.7%)	(4.7%)	(2.6%)
Alerian MLP	8.5%	(4.1%)	6.6%	6.6%	(4.4%)	(7.0%)	(1.0%)	4.2%	6.4%

Source: Morningstar

Disclosures

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors can not actually invest directly into an index: Cash – Citigroup 90 Day T-Bill; TIPS – Bloomberg Barclays US Treasury TIPS; Aggregate Bond – Bloomberg Barclays US Aggregate Bond Index; Municipal Bond – Bloomberg Barclays Municipal 5-Year Bond; High Yield – Bloomberg Barclays US Corporate High Yield; Foreign Bond – Bloomberg Barclays Global Aggregate Ex USD; Local Currency Denominated Emerging Markets Debt – JPMorgan GBI-EM Global Diversified Unhedged Index; Large Value – Russell 1000 Value; Large Blend – S&P 500; Large Growth – Russell 1000 Growth; Small Value – Russell 2000 Value; Small Blend – Russell 2000; Small Growth – Russell 2000 Growth; International – MSCI EAFE; Emerging Markets – MSCI EM; REITs – FTSE NAREIT Equity REITs; Commodities – Bloomberg Commodity Index; MLP – Alerian MLP; Hedge Funds – HFRI Fund of Funds Composite Index; Balanced – 5% Bloomberg Barclays US Treasury TIPS, 10% Bloomberg Barclays US Aggregate Bond Index, 4.5% Bloomberg Barclays Global Aggregate Ex USD, 4.5% Bloomberg Barclays Global Aggregate Ex USD (Hedged), 9% Bloomberg Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged Index, 16% S&P 500, 5% Russell 2000, 12% MSCI EAFE, 7% MSCI EM, 5% FTSE NAREIT Equity REITs, 5% Bloomberg Commodity Index, 5% Alerian MLP, 10% HFRI Fund of Funds Composite Index; Domestic Equity Indices – Russell 1000, Russell 1000 Growth, Russell 1000 Value, Russell Mid-Cap, Russell Mid Cap Growth, Russell Mid-Cap Value, Russell 2000, Russell 2000 Growth, Russell 2000 Value; International Developed Markets – MSCI EAFE; US Dollar – US Dollar Index; Unhedged Developed Fixed Income – Bloomberg Barclays Global Aggregate Ex USD (Hedged); Real Assets – Bloomberg Commodity Index; Materials, Financials, Energy, Oil & Gas, Healthcare, Information Technology, Consumer Related Sectors – Dow Jones Sector Indices; Small Cap Securities – Russell 2000, Russell 2000 Growth, Russell 2000 Value; Large Cap Securities – Russell 1000, Russell 1000 Growth, Russell 1000 Value; Mid Cap Securities – Russell Mid Cap, Russell Mid Cap Growth, Russell Mid Cap Value; Growth; Russell 1000 Growth, Russell Mid Cap Growth, Russell Small Cap Growth; Value – Russell 1000 Value, Russell Mid Cap Value, Russell 2000 Value; Fixed Income Markets – Bloomberg Barclays US Treasury TIPS, Bloomberg Barclays Municipal 5-Year Bond, Bloomberg Barclays Aggregate; Investment Grade Corporate Securities – Bloomberg Barclays US Credit; Long Maturity Treasuries – Bloomberg Barclays US Treasury 20+ Year; Shorter Dated Issues – Bloomberg Barclays US Treasury 1-3 Year; Industrial-, Financial-and Utility- Related Credits – Bloomberg Barclays Fixed Income Sector Indices; BB-Rated, B-Rated and CCC-Rated – Bloomberg Barclays Fixed Income Credit Quality Indices; MBS – Bloomberg Barclays US MBS; ABS – Bloomberg Barclays ABS; Crude Oil – Bloomberg Composite Crude Oil; Australia, New Zealand, Japan, China, India, Taiwan, South Korea, Brazil, Mexico, Chile, South Africa, Turkey, Egypt, Hungary, Poland, Russia, Canada, United Kingdom, Spain, Germany, Italy, France – MSCI Country Index Gross Return USD; Natural Gas – Bloomberg Natural Gas.