



## MARKET UPDATE

QUARTER 4, 2019

The beginning of 2019 was full of questions, setting a somber mood as to what the year would bring for investors. With the continued trade war between the U.S and China, slowing global economic growth and the prospect of several rate hikes by the Fed, the consensus forecast for 2019 was conservative. Despite these headwinds, global equity markets around the world produced very strong returns for investors, finishing 2019 with one of the best years over the past decade.<sup>i</sup>

For the quarter, domestic large company stocks (S&P 500) increased 9.07% while small company stocks (Russell 2000) increased 9.94%, with growth stocks faring better than value stocks across all market capitalizations. The weakest sectors were utilities and consumer staples while technology and health care were the strongest sectors within the economy.<sup>ii</sup>

The U.S. dollar depreciated against most major foreign currencies during the quarter. A decrease in value of the U.S. dollar enhances returns when investing in foreign securities while an increase in the dollar's value reduces returns for U.S. investors holding foreign securities. For the quarter the MSCI EAFE Index (in U.S. dollars) increased 8.17% while the MSCI EAFE Index (in local currency) increased 5.19%.<sup>ii</sup>

The demand for intermediate and long-term Treasuries decreased during the quarter, pushing yields higher with lower bond prices (bond yields move inversely to bond prices), reducing concerns that arose during the 3rd quarter when the Treasury yield curve became inverted. For the quarter, the Barclays U.S. Aggregate bond index (a blended composite) increased 0.18%.<sup>ii</sup>

On December 11, the Federal Reserve's Open Market Committee held the federal funds rate to a range of 1.5% to 1.75%. A year ago, the Fed was projecting two rate increases in 2019, but instead they reduced the benchmark rate three times throughout the year. Looking forward, most Fed policymakers do not believe there will be changes to the federal funds rate in 2020.<sup>iii</sup>

Taking the long view, we continue to believe that globally diversified stock and bond portfolios and disciplined investment strategies can continue to provide opportunities for those investors looking for growth.

I welcome your input and as always, should you have any questions or concerns, or if there is a change in your investment time horizon or financial circumstances, please contact me at your convenience.

Written by North Star Resource Group

AVERAGE ANNUAL RETURNS FOR PERIODS ENDING 12/31/2019						
INDEX	4TH Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
S&P 500	9.07%	31.49%	31.49%	15.27%	11.70%	13.56%
Russell 2000	9.94%	25.52%	25.52%	8.59%	8.23%	11.83%
MSCI EAFE (U.S. dollars)	8.17%	22.01%	22.01%	9.56%	5.67%	5.50%
Barclays US Aggregate Bond	0.18%	8.72%	8.72%	4.03%	3.05%	3.75%
BENCHMARK COMPOSITES	4TH Q	YTD	1 YR	3 YRS	5 YRS	10 YRS
Aggressive Growth	9.05%	27.51%	27.51%	12.26%	9.42%	11.13%
Growth	7.23%	23.59%	23.59%	10.64%	8.22%	9.76%
Conservative Growth	5.39%	19.96%	19.96%	9.29%	7.10%	8.34%
Income and Growth	3.60%	16.11%	16.11%	7.59%	5.76%	6.78%
Income	1.88%	12.71%	12.71%	6.10%	4.64%	5.50%

You cannot invest directly in an index. Indices do not have expenses, which would reduce returns. Past performance is not indicative of future results. The S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index's performance directly proportional to the company's value. The Russell 2000 Index measures the total return of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ. Investments in smaller company and micro-cap stocks generally carry a higher level of volatility and risk over the short term. The MSCI EAFE Index is the Morgan Stanley Capital International Index and is designed to measure the total return of the developed stock markets of Europe, Australia and the Far East. Investment risks associated with international investing, in addition to other risks, include currency fluctuations, political and economic instability and differences in accounting standards when investing in foreign markets. The Barclays US Aggregate Bond Index is a market-weighted index that includes U.S. government, corporate, and mortgage-backed securities, rated investment grade or higher, with maturities up to 10 years. Investments in fixed income securities are subject to interest rate risk and, as such, the net asset value of bond and real estate funds will fall as interest rates rise. The Benchmark Composite returns are a weighted average of index data comprised in the following manner. Aggressive Growth is 45% S&P 500, 25% Russell 2000 and 30% MSCI EAFE. Growth is 35% S&P 500, 20% Russell 2000, 25% MSCI EAFE and 20% Barclays US Aggregate Bond. Conservative Growth is 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE and 40% Barclays US Aggregate Bond. Income and Growth is 20% S&P 500, 5% Russell 2000, 15% MSCI EAFE and 60% Barclays US Aggregate Bond. Income is 15% S&P 500, 5% MSCI EAFE and 80% Barclays US Aggregate Bond.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. Diversification is a method used to manage risk. It does not guarantee against loss. 2895277/DOFU 1-2020

<sup>1</sup> Akane Otani, "Stocks Around World Charge Into 2020" Wall Street Journal, January 2020:B1

<sup>2</sup> Morningstar Direct

<sup>3</sup> Wesbury, Brian, and Robert Stein. "Fed on Hold" First Trust, <https://www.ftportfolios.com/Blogs/EconBlog/2019/12/11/fed-on-hold>, Accessed 3 January 2020.