

MARKET & ECONOMIC INSIGHTS

An Executive Summary for January 2020

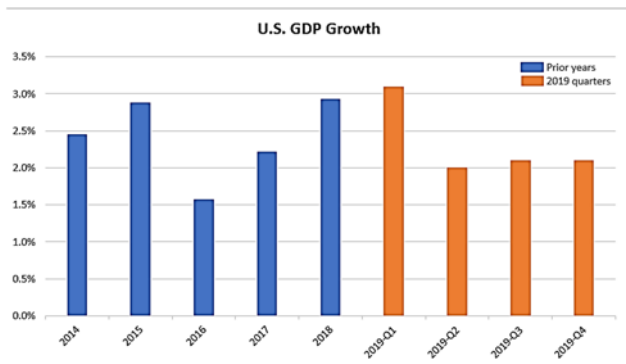
Markets carried trade and economic optimism from the end of 2019 into the new year. However, volatility returned due to quickly escalating tension between the U.S. and Iran, followed by fear surrounding the rapid spread of the Wuhan coronavirus and its potential implications. These concerns were enough to wipe out early equity market gains and push bond yields lower. While the full ramifications of the coronavirus are unknown, history suggests that its economic impact will be transient.

Positive economic momentum continued in January. The U.S. economy grew at a solid 2.1% over the fourth quarter of 2019 and at a similar pace for the full year. While select tariffs remain, the retaliatory escalation between the U.S. and China appears to be at bay — at least for now. Looking past Phase I of the trade deal, structural disagreements exist, meaning additional volatility could result as these differences are brought to the forefront. Domestic manufacturing continues to be a soft spot while the service sector and the all-important consumer remain resilient. Job growth is robust and consumer confidence made significant strides in January. The housing market also demonstrated encouraging signs as pricing and building activity recovered from lower levels reached earlier last year.

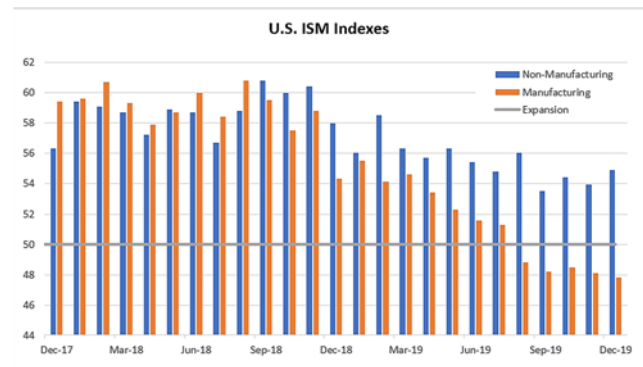
Overseas, economic data is improving. European manufacturing has shown signs of bottoming while the consumer is stable, buoyed by a tight labor market. Recently appointed ECB president Christine Lagarde kept rates unchanged and appears poised to step-in further should conditions worsen. While China's growth has shown some signs of stabilizing, it's gone from fending off the impact of tariffs to trying to offset the economic implications of an unprecedented containment effort to stop the spread of the coronavirus.

Monthly returns for investable assets reflected a flight-to-quality mentality stemming from rising concerns late in the month. Equity markets were generally flat to negative, while government and high-quality fixed income securities were slightly positive — benefiting from falling rates. Falling yields also influenced equity markets as rate sensitive sectors, such as utilities and real estate, were amongst the strongest performers. IT stocks proved resilient driven by solid fundamental results from behemoths like Microsoft and Amazon.com. Impressive results from mega-cap technology holdings also fueled growth's continued outperformance over value and helped large-caps maintain their dominance over smaller market-cap securities.

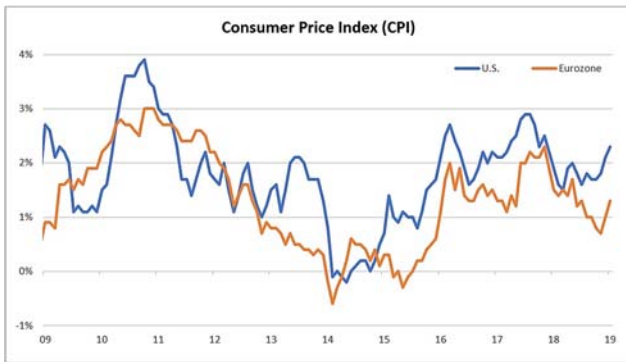
As we continue into 2020, the outlook remains cautiously optimistic. Global growth is positive but tepid and liquidity is plentiful although fueled by accommodative central banks. A strong labor market has kept the consumer in a healthy place yet has the potential to stimulate inflation with higher wages. Exiting January, sentiment is on an upswing, but important risks remain. We strongly believe that thoughtful long-term planning and an appropriate, well-diversified investment portfolio are the best approach to navigating the current environment.



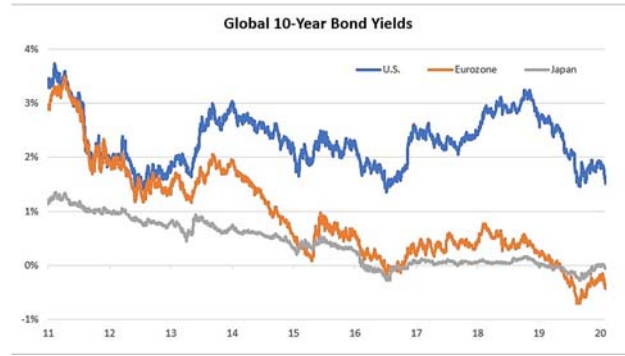
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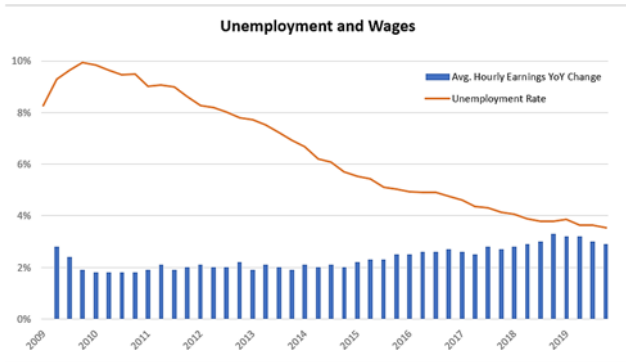
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