



QUARTERLY MARKET COMMENT Fourth Quarter 2019

Like bookends, the U.S. markets started out strong and ended in the same fashion. The only area experiencing negative returns in the 4th quarter was long-term U.S. Government bonds, due to a slight increase in interest rates. All other areas of the markets experienced positive single and double digit returns in the 4th quarter. By any measure, 2019 was a remarkable year for financial markets worldwide! Who could have guessed? It should be no surprise that the best performing sector of the U.S. market for the 4th quarter and year continued to be Information Technology, up 14.40% for the 4Q and 50.29% for the year. The worst performing sector for the quarter was real estate at -0.54%, but for the year it was up 29.01%. Value stocks edged out growth for the quarter (9.93% vs. 8.32%) and slightly for the year (31.93% vs. 31.13%) This is a first for this bull market. Internationally, emerging markets outperformed developed markets for the quarter (11.36% vs. 7.81%) and for the year, developed markets were up a tad more than emerging markets (18.44% vs. 15.42%). On balance, fixed income markets also had a positive quarter. The Federal Reserve cut interest rates 3 times in 2019 and this had a positive impact on the total return of bonds across all maturity levels. Commodities had a strong showing in the 4Q, including agriculture and livestock. All underlying sectors within commodities were up 5.22% for the quarter and 10.12% for the year.

It is said that good years often follow great years and this seems to be the prediction of all the webinars and papers out there for 2020. Without question, we are in the longest bull market on record and given the technical reads of the economy, the later phase. Many economists have dusted off their crystal balls, re-evaluated their thinking, and are now saying they do not see a recession developing in 2020 or in 2021. Time will tell. The reasons are many - U.S. economy is still growing slowly, low inflation, low interest rates, low unemployment, manageable wage pressure, etc. It boils down to how they are interpreting all these indicators within the economy. It may sound like Groundhog Day, but this backdrop is what has been driving the markets. Along with some abatement in trade tensions, positive consumer sentiment, and an improving global economy, there has been an adjustment in thinking. Several economist see similarities between where we are now and where we were in 1998. There is a bit of a concern related to the level the markets are at currently. It would not be a surprise to see a pullback take place at some point, but it does not mean that the trend has changed. It has been said that "trends matter more than the level of the market". If this is true, then the overall trend at this point seems to be positive as we enter into this new year of 2020.

So with one foot on the gas and the other foot hovering over the brake, we have rebalanced portfolios to reflect where we believe we should be positioned at this time. The portfolios are broadly diversified. The future of the markets is always uncertain. History has shown that bull markets tend to be longer and steeper than bear markets, which means that holding on tight in choppy times tends to be the winning strategy. Please let us know if you have any questions or concerns. We appreciate the opportunity to work with you and we thank you for allowing us to help guide you through your financial life.

Although the information has been obtained from sources believed to be reliable, the information should be relied upon only when coordinated with individual professional advice. Past performance is not a guarantee of future results. Material discussed is meant for general illustration and/or informational purposes only, and it is not to be construed as tax, legal or specific investment advice.

Asset Index Category	4Q 2019 %	YTD 2019 %	Calendar 2018 %	10-Year Average %
S&P 500 Index-Large Companies	8.53	28.88	-6.24	11.22
S&P 400 Index-Mid-size Companies	6.59	24.05	-12.50	11.00
Russell 2000 Index-Sm Companies	9.52	23.72	-12.18	10.31
Natural Resource Funds	8.51	14.95	-19.01	2.89
Gold	3.41	18.87	-1.15	4.04
US Real Estate Funds	0.63	27.28	-5.97	11.30
Global Real Estate Funds	3.70	23.45	-7.11	8.08
MSCI EAFE-Developed International	7.81	18.44	-16.14	2.57
MSCI EM Index-Emerging Markets	11.36	15.42	-16.63	1.20
Barclays U.S. Aggregate Bond Index	0.18	8.72	0.01	3.75
Long U.S. Government Bond Index	-4.73	11.47	-0.74	3.26
Emerging Market Bond Index	3.48	13.07	-6.85	4.20

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