

## Global Overview

December was a strong month for global equity investors as most major indexes finished 2019 on a positive note. The MSCI All Country World Index finished up 26.6% for the year, its best since 2009. Global fixed income was also positive, particularly in high yield and emerging market debt, with each having one of their best years in the decade.

## U.S. Markets & Economy

U.S. equity markets continued to rally in December with the S&P 500 Index level topping all-time-highs for the second straight month, settling at 3,231 on December 31. The U.S. proved to be the best place for equity capital in 2019, with the S&P 500 (31.5%), Russell Midcap (30.5%), and Russell 2000 (25.5%) indexes all delivering oversized returns. President Trump announced he will be signing the first phase of a trade deal with China in mid-January, a step in the right direction to ease trade tensions. China pledged to buy up to \$200 billion worth of U.S. goods while the U.S. agreed to reduce tariffs on nearly \$120 billion of Chinese imports and to pause tariffs set to take effect on January 15 on another \$150+ billion of imports. Further negotiations on key issues will proceed thereafter. Rates were unchanged at the Fed's final meeting of 2019. Fed Chair Powell stated the current rate policy is "likely to remain appropriate for some time." The Fed's decision came after a stellar November jobs report in which the U.S. added 266,000 jobs and unemployment dropped to levels last seen in 1969. A strong labor market, moderate growth, and strong equity markets all added to the Fed's decision to hold rates constant. The domestic fixed income market had one of its best years since the early 2000's, as declining interest rates and strong credit performance rewarded fixed income investors. Longer maturity bonds produced exceptional results, with the Bloomberg Barclays Government/Credit Long Index returning 19.6% in 2019. U.S. corporate bonds were also quite robust, returning 14.5% in the year.

- The S&P 500 Index finished the year strong, delivering a 3.0% return in December. The energy and information technology sectors were the strongest performers, and industrials were the only laggard. Small cap stocks nearly kept pace with their large cap counterparts in the month, with the Russell 2000 Index returning 2.9%.
- The Bloomberg Barclays U.S. Aggregate Index was flat for the second straight month, delivering a -0.1% return. High yield bonds and leveraged loans were the strongest performing fixed income segments in December.

## International Markets & Economy

Developed non-U.S. equities advanced in the month as the UK and Switzerland led the charge among MSCI EAFE Index constituents. UK citizens voted overwhelmingly in favor of the Conservative party during the December snap election, providing strong backing for Prime Minister Boris Johnson to pass an EU-approved exit deal through UK Parliament before the January deadline. The UK markets and the Pound traded up on the news. Emerging market stocks had their best month of the year with Brazil (12.3%), China (8.3%), and Korea (10.1%) providing leadership. The People's Bank of China cut the required reserve ratio for the eighth time since 2018, releasing another \$115 billion worth of lending power to banks. The top performing country in the MSCI Emerging Markets Index during 2019 wasn't a growth or technology-driven nation, but Russia, whose 50.9% return was mostly attributed to multiple expansion and investor interest in high dividend-yielding Russian equities – including Gazprom and Sberbank.

- Non-U.S. equity returns were strong in December, with the MSCI EAFE Index (USD) returning 3.3% and the MSCI Emerging Market Index (USD) returning 7.5%. The EM index was the strongest performer of all major equity indexes in the final quarter of 2019.



## In the News

- The U.S continued to see falling bond yields in 2019, boding well for fixed income investors, with an 8.7% calendar year return for the Bloomberg Barclays Aggregate Index. Credit spreads (yields on corporate bonds relative to lower risk government bonds) compressed to historically tight levels. The continued spread contraction is attributable to uncertainty throughout the year over U.S. trade policy with China and the Eurozone, a lack of inflation, and central banks continuing to support the economic expansion by maintaining lower interest rates. Hard currency emerging market debt also performed well, as geopolitical factors have strengthened the U.S. dollar throughout the year versus broadly weakening EM currencies. The JP Morgan EMBI Global Diversified Index (USD) returned over 15% in 2019.
- Private equity deals in 2019 reached their highest point in terms of valuation since 2007, primarily driven by investor demand for the asset class along with a number of companies staying private longer than in years past. Within the buyout space, institutional investors pushed the volume of deals to \$478 billion in 2019, up from \$460 billion in 2018. This influx of cash led to a further increase in "dry powder" as private equity firms had \$1.45 trillion available to invest as of the end of 2019 – a record level and the eighth straight year with an increase in reserves. The number of “unicorns” (privately held companies with a valuation of \$1 billion or more) cooled in 2019 after a number of these companies saw valuations revised downward in the wake of the failed WeWork IPO and its sobering write-down.
- Looking ahead, investors have a number of risks to grapple with in 2020, with U.S. entering into an election year being front and center. Market participants will also be looking for finality with Brexit and global trade tensions, as they consider whether lower EPS growth estimates will result in a lower stock market returns, or if global political unrest impacts capital markets, among many other macro and fundamental dynamics.

## Economic Indicators

	GDP			Unemployment Rate	Interest Rates <i>Sovereign Bonds, 10 Year</i>	Exchange Rates <i>per US \$</i>		Inflation <sup>2</sup> <i>(Most recently available)</i>
	Latest	2019 <sup>1</sup>	2020 <sup>1</sup>			Current	1 Year Ago	
<b>United States</b>	2.10	2.32	2.00	3.50	1.86	-	-	2.32
<b>China</b>	6.00	6.16	5.73	3.60	3.17	7.00	6.86	3.75
<b>Japan</b>	1.70	1.02	0.55	2.20	-0.08	109.47	110.78	0.20
<b>United Kingdom</b>	1.10	1.24	1.00	3.80	0.77	1.31	1.26	1.50
<b>Euro Area</b>	1.20	1.20	1.40	7.50	0.31	1.12	1.14	1.07
<b>Germany</b>	0.50	0.60	0.44	3.10	-0.35	1.12	1.14	1.14
<b>France</b>	1.40	1.31	1.20	8.50	-0.16	1.12	1.14	0.76
<b>Italy</b>	0.30	0.19	0.42	9.70	1.00	1.12	1.14	0.36
<b>Canada</b>	1.70	1.52	1.62	5.90	1.50	1.31	1.37	2.54
<b>India</b>	4.50	5.76	6.20	7.70	5.65	71.49	71.74	7.62
<b>Mexico</b>	-0.30	0.17	1.24	3.50	6.87	18.82	19.66	3.02
<b>Brazil</b>	1.20	0.83	1.67	11.20	4.53	4.05	3.89	2.54

Sources: (Most recently available data) Standard and Poor's, FTSE/Russell, Morgan Stanley Capital International (MSCI), Bloomberg, Citigroup, St. Louis Federal Reserve, The Conference Board, The Wall Street Journal, OECD, The World Bank, and *The Economist*

1. Euro Area data forecasted by The World Bank, all other forecasted data from OECD

2. In terms of CPI All Items



**PARTNER**

# DeMarche Dashboard

Data and Commentary for Periods Ended 12/31/2019

December 2019

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## Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	3.00	8.56	27.67	27.67	12.57	8.74	9.47
	BBgBarc US Agg Bond TR USD	(0.07)	0.18	8.72	8.72	4.03	3.05	3.75
	Russell 3000 TR USD	2.89	9.10	31.02	31.02	14.57	11.24	13.42
	DJ Industrial Average TR USD	1.87	6.67	25.34	25.34	15.73	12.59	13.40
	NASDAQ Composite PR USD	3.54	12.17	35.23	35.23	18.57	13.63	14.74
	MSCI EAFE NR USD	3.25	8.17	22.01	22.01	9.56	5.67	5.50
	FTSE Treasury Bill 3 Mon USD	0.14	0.46	2.25	2.25	1.65	1.05	0.56
	Bloomberg Commodity TR USD	5.04	4.42	7.69	7.69	(0.94)	(3.92)	(4.73)
Domestic Equities	S&P 500 TR USD	3.02	9.07	31.49	31.49	15.27	11.70	13.56
	S&P MidCap 400 TR	2.81	7.06	26.20	26.20	9.26	9.03	12.72
	S&P SmallCap 600 TR USD	2.99	8.21	22.78	22.78	8.36	9.56	13.35
	Russell 1000 TR USD	2.89	9.04	31.43	31.43	15.05	11.48	13.54
	Russell 1000 Growth TR USD	3.02	10.62	36.39	36.39	20.49	14.63	15.22
	Russell 1000 Value TR USD	2.75	7.41	26.54	26.54	9.68	8.29	11.80
	Russell Mid Cap TR USD	2.29	7.06	30.54	30.54	12.06	9.33	13.19
	Russell Mid Cap Growth TR USD	1.17	8.17	35.47	35.47	17.36	11.60	14.24
	Russell Mid Cap Value TR USD	3.04	6.36	27.06	27.06	8.10	7.62	12.41
	Russell 2000 TR USD	2.88	9.94	25.52	25.52	8.59	8.23	11.83
	Russell 2000 Growth TR USD	2.29	11.39	28.48	28.48	12.49	9.34	13.01
Russell 2000 Value TR USD	3.50	8.49	22.39	22.39	4.77	6.99	10.56	
International Equities	MSCI ACWI Ex USA NR USD	4.33	8.92	21.51	21.51	9.87	5.51	4.97
	MSCI EAFE NR USD	3.25	8.17	22.01	22.01	9.56	5.67	5.50
	MSCI EAFE Growth NR USD	2.85	8.45	27.90	27.90	12.84	7.71	6.95
	MSCI EAFE Value NR USD	3.65	7.82	16.09	16.09	6.31	3.54	3.98
	MSCI Japan NR USD	2.09	7.64	19.61	19.61	8.92	7.70	6.59
	MSCI AC Asia Ex Japan NR USD	6.65	11.78	18.17	18.17	12.77	6.55	6.03
	MSCI Europe NR USD	3.91	8.84	23.77	23.77	9.77	5.06	5.17
	MSCI United Kingdom NR USD	5.15	9.95	21.05	21.05	8.32	3.25	5.05
	MSCI EAFE Small Cap NR USD	4.37	11.52	24.96	24.96	10.92	8.85	8.74
MSCI EM NR USD	7.46	11.84	18.42	18.42	11.57	5.61	3.68	
Fixed Income	BBgBarc US Govt/Credit TR USD	(0.20)	(0.01)	9.71	9.71	4.35	3.23	3.96
	BBgBarc US Govt/Credit Interm TR USD	0.13	0.37	6.80	6.80	3.24	2.57	3.05
	BBgBarc US Govt/Credit Long TR USD	(1.14)	(1.12)	19.59	19.59	8.07	5.42	7.59
	ICE BofAML US High Yield TR USD	2.09	2.61	14.41	14.41	6.32	6.13	7.50
	Credit Suisse HY USD	2.12	2.63	14.00	14.00	6.01	6.02	7.34
	S&P/LSTA Leveraged Loan TR	1.60	1.73	8.64	8.64	4.35	4.45	5.01
	FTSE WGBI NonUS USD	0.83	(0.07)	5.32	5.32	4.49	1.87	1.36
	BBgBarc Gbl Agg Ex USD TR	1.09	0.67	5.09	5.09	4.36	1.62	1.50
REITs	FTSE Nareit All REITs TR	0.77	0.55	28.07	28.07	10.30	8.45	12.46
	Wilshire US REIT TR USD	(0.68)	(1.14)	25.76	25.76	7.63	6.87	11.94

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

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# DeMarche Dashboard

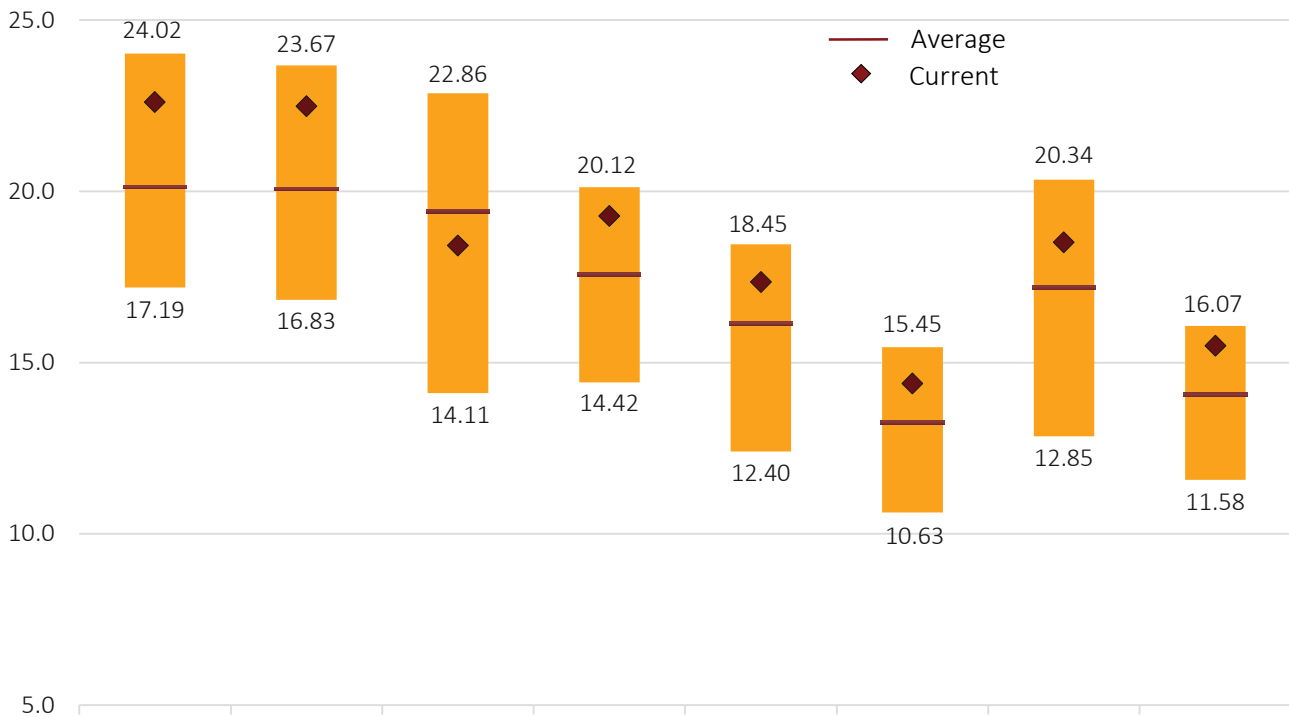
Data and Commentary for Periods Ended 12/31/2019

## S&P 500 Price Level



Source: Standard & Poors

## Current P/E vs. Trailing 5-Year High, Low, Average

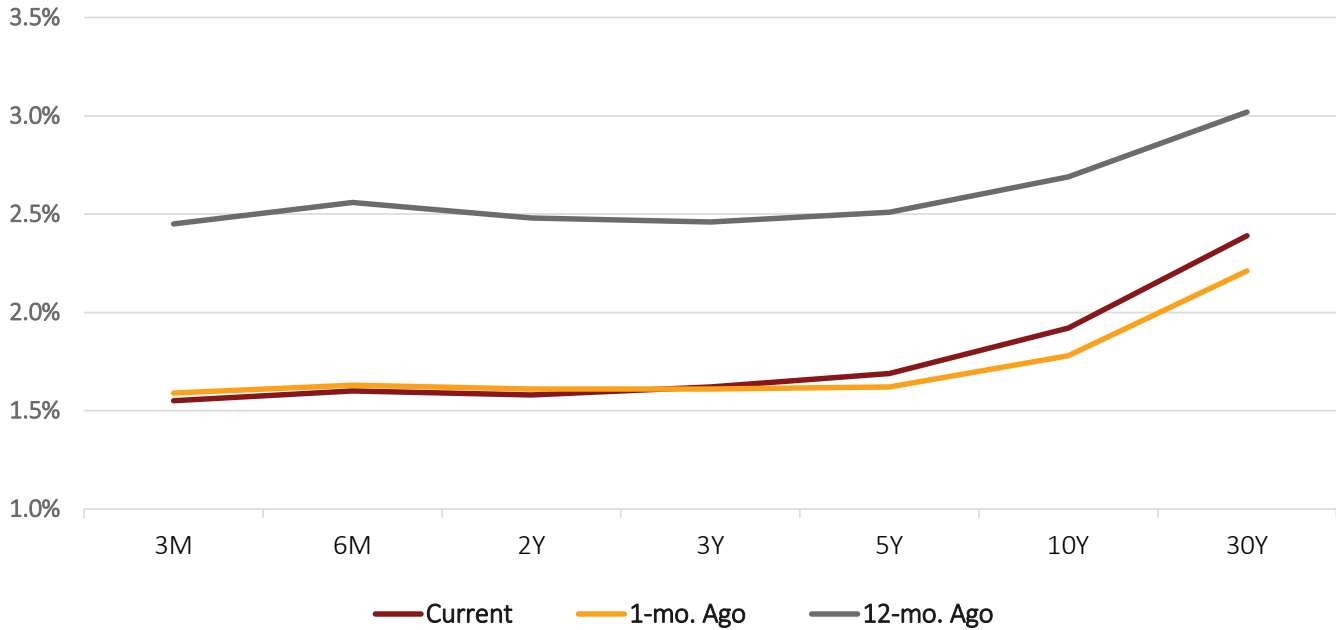


	S&P 500	Russell 1000	Russell 2000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Month	Jan-18	Jan-18	Nov-17	Jan-18	May-17	Jan-18	Mar-17	Jul-17
Low Month	Dec-18	Dec-18	Dec-18	Dec-18	Dec-18	Oct-15	Dec-18	Dec-18

Source: Standard & Poors, FTSE/Russell, MSCI

## U.S. Treasury Yield Curves

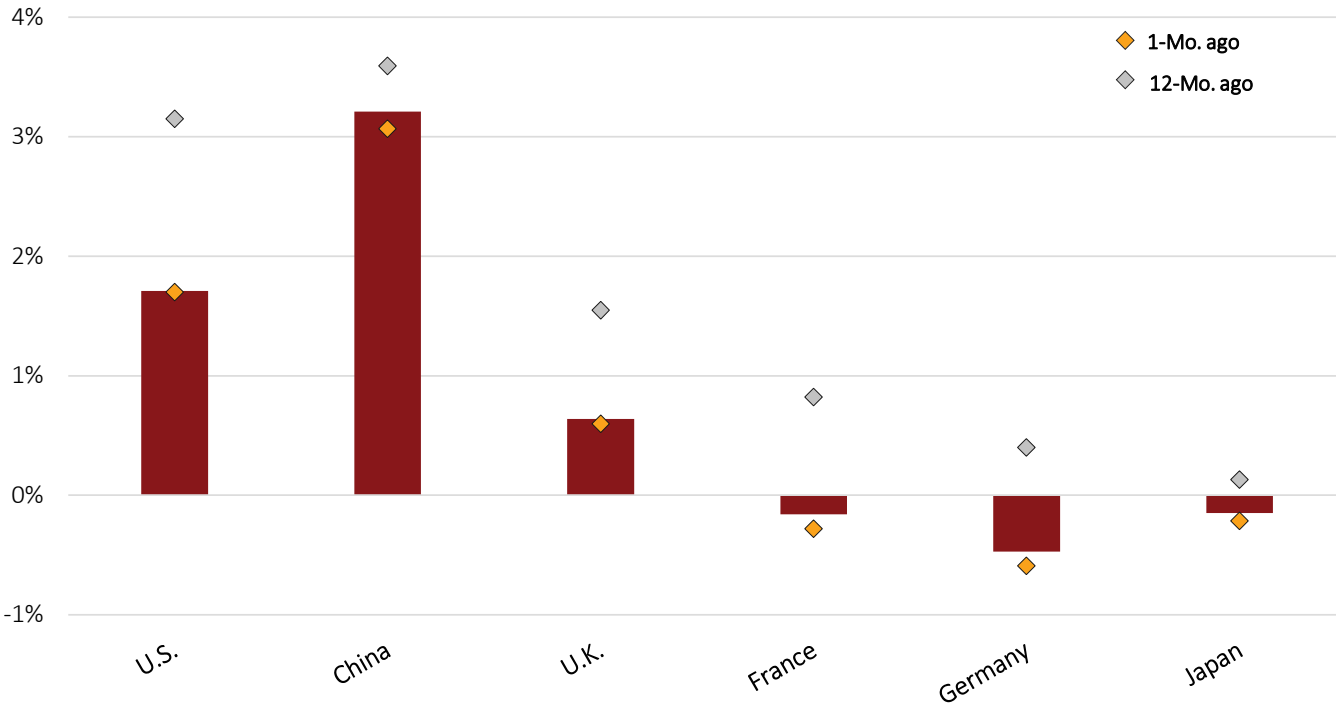
as of 12/31/2019



Source: Federal Reserve Bank of St. Louis

## 10-Year Sovereign Yields

as of 10/31/2019 (most recently available)



Source: Federal Reserve Bank of St. Louis, Wall Street Journal

# DeMarche Dashboard

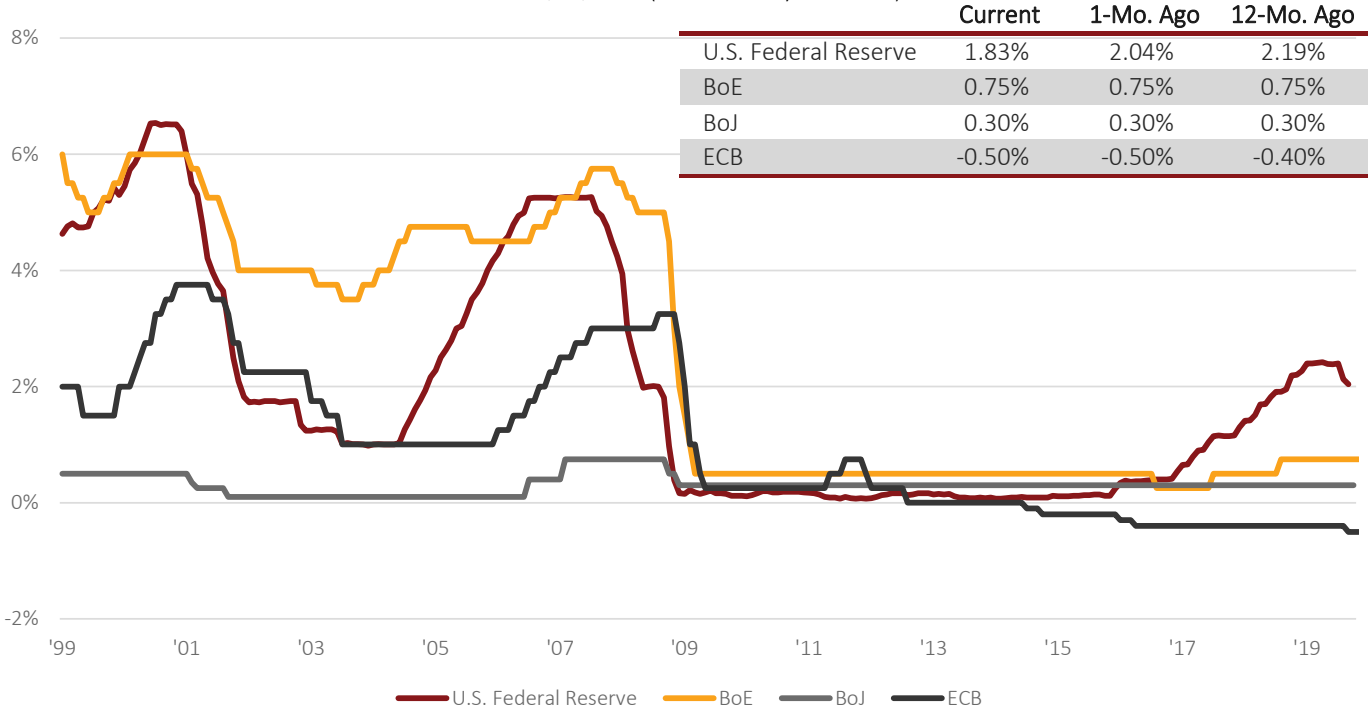
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## Central Bank Policy Rates

as of 10/31/2019 (most recently available )



Source: Federal Reserve Bank, Bank of England, European Central Bank

## Corporate Bond Average Spread (bps)

