



INVESTMENTS • PLANNING • TAX • ESTATE • SOLUTIONS

December 2019 - Investment Committee Meeting Summary

The US economy has weakened in 2019 relative to 2018, however, it is still growing – modest growth has been the case for several years now. Corporate profits are expected to be up ~2% in 2019. Housing is relatively strong and should remain strong as starts continue to be below the long-term average. Jobs are widely available and wage growth is consistently strong. Inflation is creeping higher, now at 2.3%. Consumer confidence remains elevated. It appears that the key variable impacting future expectations is the trade war with China. The market has been relatively strong given how protracted and deep the trade issue with China has been. It is reasonable to expect further corporate profit growth with this backdrop. 2018 earnings growth aided by tax cuts was strong, in the 20% range. 2019 will have difficult comparisons, however, slight growth is forecasted and seems reasonable. With the bear market in Q4 2018 and the subsequent rebound, P/E multiples are a little above their 25-year average. Relative to a ~2.0% ten-year treasury environment, stock prices appear cheap.

Asset Class	View	Comments
Equities		
US Large Cap	Positive	US economic growth is positive while much of the globe is at zero growth. Record low levels of unemployment and rising wages should continue to fuel economic growth. Equity valuations look reasonable relative to alternatives. We favor minimum-volatility and quality positions because of where we are in the economic cycle.
US Small Cap	Positive	Lagged for several years but now appear to be narrowing the gap.
International Developed Markets	Neutral	Globally there are slowing and weak economies. In addition, there are political and policy risk factors that apply pressure to the market. Uncertainty is high.
International Emerging Markets	Negative	Historically Emerging markets are very volatile. The risk factor is too great when compared to the reward opportunities at this time.
Fixed Income		
US Government Bonds	Neutral	Very little return offered.
US Corporates (Credit)	Neutral	Tight spreads and low quality as BBB issuance has soared.
US High Yield	Negative	Spreads are historically tight and corporate debt to GDP is historically high.
Global Fixed Income	Negative	Negative yields; weak economies; political uncertainty.
Alternatives		
Commodities	Negative	Global economic growth is slow. There are no significant natural resource shortages.
REITs (Real Estate)	Neutral	The backdrop for REITs is relatively good; however, REITs are a small part of the economy. Since clients are already overweight real estate assets, there is no need to buy additional real estate exposure.