

PERSPECTIVES AND POSITIONS

By James F. Dykstal, CFA, Portfolio Manager, January 2020

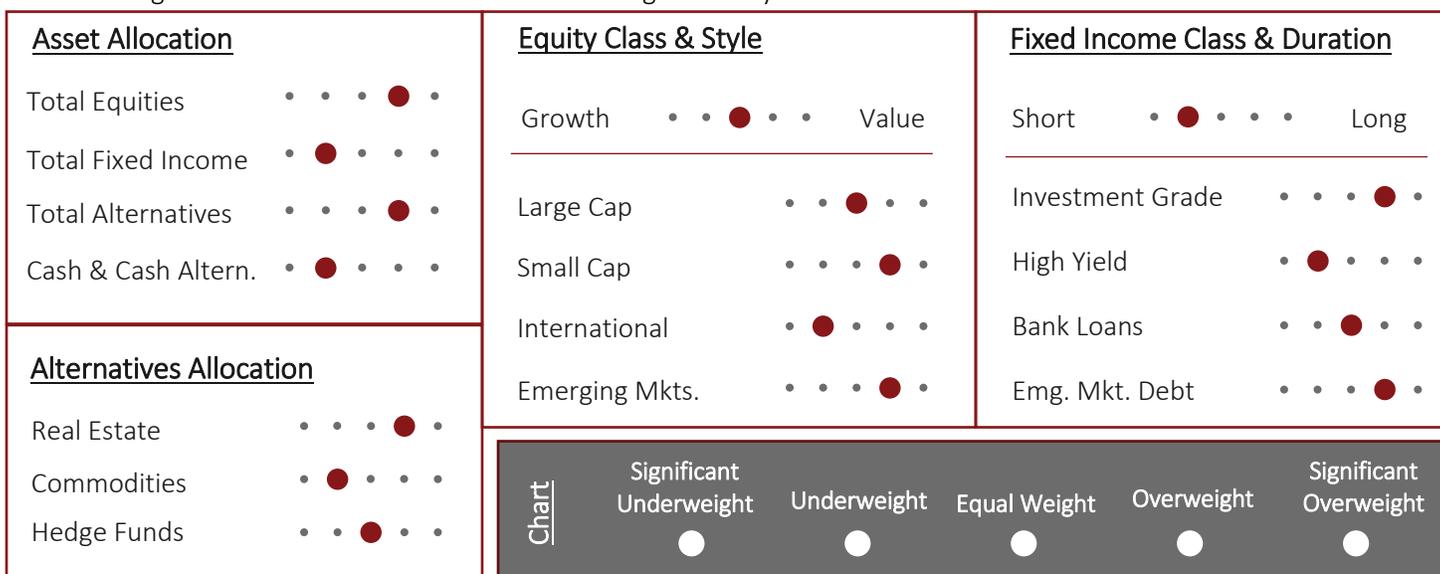
This is a summary of our views on the economy and markets as shared with discretionary clients.¹

ECONOMIC AND MARKET OUTLOOK

- U.S. GDP Growth – continue to expect steady GDP growth of close to 2% through 2020. The Federal Reserve cut interest rates three times in 2019 and look to remain on the sideline for 2020.
- Inflation – headline inflation (including food and energy) remains low at 2.3% due to precious metals price increases. More volatile food and energy prices remain modest.
- Employment/Wages – unemployment steadily decreased since last recession and is still at its lowest point in 50 years, with wage growth picking up in September.
- Consumer Spending/Confidence – strong labor market continues to support consumer spending growth.
- Interest Rates – the Treasury curve was inverted for some time in 2019 but regained its upward slope by the end of 2019. This market signal bodes well for expectations of modest economic growth in 2020.
- Global Growth/Trade – developed economies slow but growing and uncertainty leads to more volatility. Emerging markets most attractive on relative basis. China (virus concerns) and tariffs continue to be headwind.
- Fixed Income – credit spreads will remain tight which limits the ability of fixed income to return more than coupon rate to investors.
- Equities – expect small cap stocks and emerging market stocks to rebound due to valuations in the coming year.
- Alternatives – real estate, commodities, and hedge funds performed well in 4th quarter. However, commodities are underweight due to lack of inflation pressures.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



If you would like to receive more detailed information on our discretionary consulting services, please contact Tom Woolwine, President, DMS, LLC, a DeMarche Affiliate, at twoolwine@demarche.com or 913.384.4994.

¹ Provided by our affiliate, Discretionary Management Services, LLC