

PERSPECTIVES AND POSITIONS

By James F. Dykstal, CFA, Portfolio Manager, January 2019

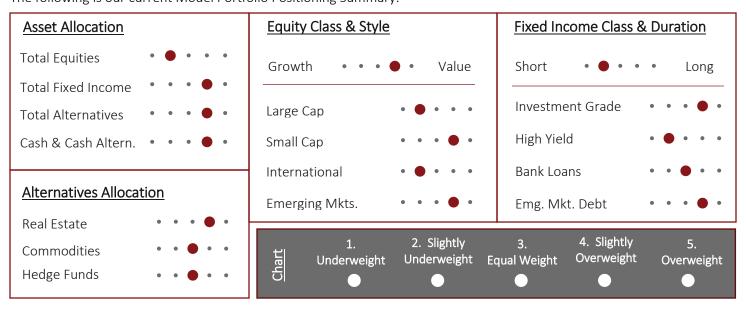
This is a summary of our views on the economy and markets as shared with discretionary clients. 1

ECONOMIC AND MARKET OUTLOOK

- U.S. GDP Growth continue at 2%, slowing from faster pace in second half of 2018 of 2.9%. No recession.
- Inflation remain modest due to lower oil prices.
- Employment/Wages historic low unemployment below 4%, and wages remain steady.
- Consumer Spending/Confidence strong labor market continues to support consumer spending growth.
- Interest Rates Fed will pause rate hikes until mid-year; two raises most likely in the second half, if at all. No rate cut.
- Dollar/Commodities Dollar consolidates into longer term trading range; oil prices stable.
- Global Growth/Trade developed economies slowing and uncertainty leads to more volatility. Emerging markets most attractive on relative basis. China and tariffs continue to be headwind.
- Fiscal Policy tax reforms continue to help business, but impact moderates.
- Fixed Income yield curve will remain somewhat flat. Credit spreads will stabilize.
- Equities small cap value stocks are the most attractive segments in the U.S. Internationally, Emerging markets (specifically Asia) have the most opportunity to outperform.
- Alternatives real estate, commodities, and hedge funds provide attractive uncorrelated alpha opportunities versus traditional equities and fixed income.

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.