



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:

<u>Asset Allocation</u>	<u>Equity Class & Style</u>	<u>Fixed Income Class & Duration</u>			
Total Equities • ● • • •	Growth • • • ● • Value	Short • ● • • • Long			
Total Fixed Income • • • ● •	Large Cap • ● • • •	Investment Grade • • • ● •			
Total Alternatives • • • ● •	Small Cap • • • ● •	High Yield • ● • • •			
Cash & Cash Altern. • • • ● •	International • ● • • •	Bank Loans • • ● • •			
<u>Alternatives Allocation</u>	Emerging Mkts. • • • ● •	Emg. Mkt. Debt • • • ● •			
Real Estate • • • ● •					
Commodities • • ● • •					
Hedge Funds • • ● • •					
	Chart				
	1. Underweight	2. Slightly Underweight	3. Equal Weight	4. Slightly Overweight	5. Overweight
	○	○	○	○	○

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.