



## PERSPECTIVES AND POSITIONS

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

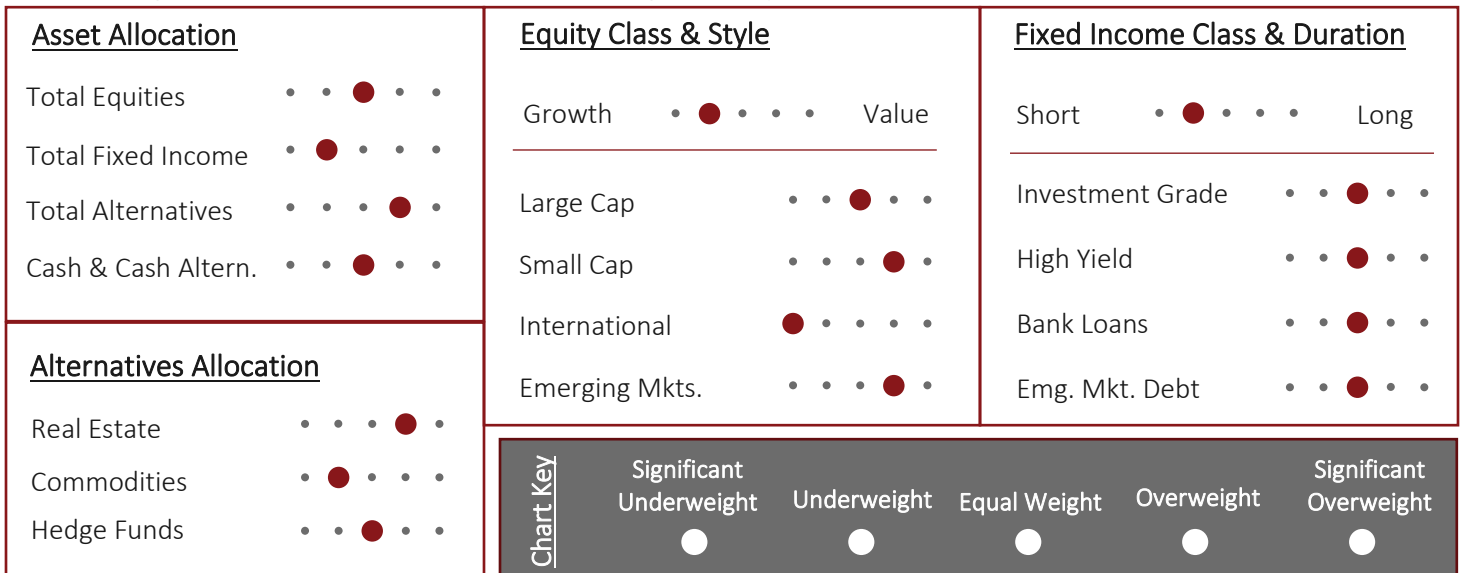
This is a summary of our views on the economy and markets as shared with discretionary clients.<sup>1</sup>

### ECONOMIC AND MARKET OUTLOOK

- U.S. GDP Growth – expect to see a rebound in GDP growth by 4<sup>th</sup> quarter 2020. The Federal Reserve cut interest rates to range of zero to 25 basis points in March in response to rapid deterioration of market liquidity.
- Inflation – headline inflation (including energy) fell in March to an annual rate of 1.5% due to dramatic drop in energy prices. An oil price “war” between Russia and Saudi Arabia sparked pullback in prices to levels last seen in 2001. Inflation will be in “check” for 2020 due to slack in consumer demand.
- Employment/Wages – unemployment has steadily decreased since last recession in 2008-2009 but showed marked reversal in March 2020 as the virus began to take toll on jobs and rate jumped to 4.4%. We expect to see it go higher in the coming months.
- Consumer Spending/Confidence – consumer confidence fell due to the virus. Retail sales dropped 6.2% in March. These measures will get worse in April before improving when the virus hopefully wanes.
- Interest Rates – interest rates fell to almost zero as the Federal Reserve quickly cut rates. We expect the Fed to engage in asset buying to improve market liquidity as needed for 2020.
- Fixed Income – as credit spreads have widened due to recession concerns brought about by shutdowns, we remain cautious but look to take stability in bond pricing to make purchases. As liquidity and economic growth improve, credit spreads will tighten providing investors with the opportunity for greater returns.
- Equities – we expect markets to rebound by 4<sup>th</sup> quarter 2020 and look to position accounts to take advantage.
- Alternatives – Real estate has provided diversification and ballast to portfolios. We remain invested but are looking to redeploy assets into equities by mid-year as economic conditions improve.

### 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](mailto:twoolwine@demarche.com) or 913.384.4994.

<sup>1</sup> Provided by our affiliate, Discretionary Management Services (DMS), LLC