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US equities have closed out their best year since 2013, defying investor skepticism at the beginning of last year, when the headline was dominated by trade tension, weakening manufacturing activities and a sharp shift in monetary policy. Fast forward to the final days of 2019, major US equity indexes have generated returns over 25%. The S&P 500 finished the year up 31.5%, while the Dow added 25.3%, and the Nasdaq added 36.7%. Within US equity, information technology has contributed to nearly a third of the 2019 S&P 500 advance, rising by 50% in the S&P 500 in 2019, by far the biggest gain among all sectors.

A strong holiday shopping season in the fourth quarter have benefited internet, retail, and most other consumer sub-sectors, further powering the US equity market rally. Both eCommerce and bricks-and-mortar retailers posted solid sales, fueled by strong consumer spending. Strong holiday sales have highlighted the resilience of consumer spending, which has kept the US economy growing in 2019 despite trade tensions and intermittent fears of a potential recession.

The 2019 rally hasn't been limited to US stocks. Elsewhere, the MSCI index of other developed country markets finished the year up 22.7%, and the MSCI emerging market gained 18.9%. The Stoxx Europe 600 gained 23% in 2019, its best performance in a decade. China's Shanghai Composite was up 21.7%, while Japan's Nikkei 225 advanced 19.8%.

Traditional safe-haven assets such as gold and US treasury bonds have also soared. Gold futures increased 18% last year, while a bond rally has pushed the yield on the benchmark 10-year Treasury note down more than 75 bps. In the first quarter of 2019, one of the most closely watched gauges of the economy, the yield curve, flashed a warning sign that a recession could be looming when the yield on the 10-year Treasury note fell below the rate on the three-month treasury bill. Such an inversion has preceded recessions historically. However, with the subsequent rate cuts by the US Federal Reserve, investors have regained confidence that a recession was less likely. Meanwhile, other global central banks remain even more accommodative, and interest rates around the world and across the yield curve have remained low. Subsequently, the market's anxiety has lessened over the inverted yield curve.

Macro-economic and geopolitical risks remain front and center, but have generally remained manageable and not impacted global economics or markets. The US and China have signed a Phase 1 trade deal on January 15th, which has helped lift US equities to a new record. Though details on the deal remain scant, many asset managers have generally remained optimistic on some level of resolution. This renewed bullishness helped equity prices of manufacturers, semiconductor companies, and other trade-sensitive businesses, which have bounced off their lows for the year. Meanwhile, fears of a US recession have eased, driven by a strong labor market and resilient consumer spending. New, heightened tension between Iran and the US, including the killing of an Iranian general and the subsequent bombing of US military facilities, appears constrained, and has so far failed to suppress market sentiments. Elsewhere, the UK looks ready to exit the European Union at the end of January, absent four years of feared

Fourth Quarter Market Watch

	Date	1 Quarter Ago		1 Year Ago	
	12/31/2019	9/30/2019	% chg	12/31/2018	% chg
DJIA	28,538.44	26,916.83	6.7%	23,327.46	25.3%
S&P 500	3,230.78	2,976.74	9.1%	**2,506.85**	**31.5%**
NASDAQ Composite	8,972.61	7,999.34	12.5%	6,635.28	36.7%
Russell 2000	4,146.56	3,785.97	9.9%	3,351.51	25.5%

	Date	1 Quarter Ago		1 Year Ago	
	12/31/2019	9/30/2019	% chg	12/30/2016	% chg
Japan Nikkei 225	23,656.62	21,755.84	7.8%	20,014.77	14.6%
MSCI EM (Emerging Markets)	1,114.66	1,001.00	11.9%	53,426.38	18.9%
MSCI EAFE	2,036.94	1,889.36	8.2%	1,719.88	22.7%
MSCI AC World	565.24	520.65	9.1%	**455.66**	**27.3%**
FTSE 100	6,980.94	6,798.42	10.4%	5,950.36	18.4%
SSE Composite Index	3,050.12	2,905.19	7.6%	2,493.90	15.1%

US Equity Sector

	Q4	1-yr ret.
Consumer Discretionary	4.5%	20.2%
Consumer Staples	3.5%	25.0%
Energy	5.5%	3.3%
Financials	10.5%	26.5%
Health Care	14.4%	18.1%
Industrials	5.5%	23.2%
Information Tech	14.4%	45.7%
Materials	6.4%	22.2%
Telecom	9.0%	23.2%
Utilities	0.8%	26.8%

US Equity Style

	Q4	1-yr ret.
Russell 1000 Value	7.4%	21.6%
Russell 1000 Growth	10.6%	30.2%
Russell 2000 Value	8.5%	14.5%
Russell 2000 Growth	11.4%	19.5%

consequences.

Despite rising investor sentiment, US chief executives continue to register concern about an economic decline. A year ago, recession fears ranked high, as is again the case for 2020. Concerns about global trade linger, even after the recent announcement on China Phase 1. The manufacturing and agriculture sectors have been the most acutely affected by the trade issue, with other sectors seeing ripple effects. Other top concerns for US executives looking into the new decade include intense competition, tight labor markets, and global political uncertainty.

2019 was an important year for mergers and acquisitions, with the value of deals announced globally reaching $3.8 trillion through December, the fourth best year on record. The US was the standout region, with total deal value up 12% to $1.8 trillion. In Europe, however, uncertainty surrounding Brexit has resulted in a 30% decline in total deal value in the region. There are lingering fears whether the US deals boom will continue, as many of the same advisers behind last year's biggest ones have expressed skepticism on 2020. The US presidential election and economic regime change have been the major source of uncertainty.

Turning to all-important energy prices, US crude ended 2019 at $61.06 a barrel, while Brent, the global crude benchmark, ended at $68.44, each gaining more than 30% from a year ago. Crude futures are trading at three month highs, fueled by a combination of factors including recent OPEC production cuts, heightened geopolitical risk after the Iranian airstrikes, and support to global demand given the ongoing US-China trade negotiations. Currently, there are increasingly diverging thoughts among analysts about oil price trajectory. We are awaiting fresh data on US oil inventories and demand levels, all of which will affect oil prices.

2019 was dominated by a global manufacturing slowdown, heightened geopolitical tension and easier monetary policy. Manufacturing weakness and geopolitical uncertainty have pressured capital expenditures and inventories, but at the same time, accommodative monetary policies boosted valuations on stocks and bonds alike. Looking ahead, in the near term, we expect that a resilient US consumer and continued accommodative monetary policy will likely support risk assets. However, the strong returns of last year have reduced the magnitude of potential gains in 2020. In addition, there are a number of uncertainties that we will be assessing: the details of US and China Phase 1 deal remain scant, and the US presidential election could result in headline, if not actual economic risks. It is also worth noting that the global economy has cooled, with factory activity weakening around the world in 2019. The most recent read of the Institute Supply Management's Manufacturing index fell to 47.2 in December, below the estimates by economists surveyed. A reading below 50 indicates activity is contracting.

The US stock market exhibits minimal volatility today, but given escalated mixed economic signals, ongoing geopolitical uncertainties, and elevated market valuations, a subsequent emergence of volatility is on the horizon. Your investment professionals at the 1911 Trust exercise greater scrutiny in asset allocation and security selection, and continue to maintain a disciplined approach to safeguard clients' assets.

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Bond Markets

	12/31/19	1 Qtr Ago	1 Yr. Ago
Treasury Bill, 90 Day	1.55	1.82	2.45
Treasury Note, 2 Year	1.57	1.62	2.50
Treasury Note, 5 Year	1.69	1.55	2.51
Treasury Bond, 10 Year	1.92	1.68	2.68
Treasury Bond, 30 Year	2.39	2.12	3.01

US Bond Sector Performance

	Q4	YTD	1-Year Return
BAR CAP Govt. Interm. TR	**-0.4%**	**0.0%**	**1.3%**

Exchange Rates (Rate per US dollar)

	12/31/19	1 Qtr Ago	1 Year Ago
Canadian Dollar	1.297	1.324	1.366
Mexican New Peso	18.884	19.744	19.694
Euro	0.891	0.917	0.875
British Pound	0.755	0.811	0.785
Swiss Franc	0.968	0.997	0.986
Chinese Yuan	6.966	7.138	6.866
Indian Rupee	71.378	70.869	69.815
Japanese Yen	108.675	108.075	109.715

Commodities (In US dollars)

	12/31/19	1 Qtr Ago	1 Yr. Ago
Gold	1,523.10	1,281.30	1,523.10
Crude Oil	61.06	45.41	61.06
UD Dollar Index	96.06	95.74	96.06
Bloomberg Commodity Index	80.89	76.72	80.89

Interest Rates

	12/31/2019	1 Qtr Ago	1 Yr. Ago
PRIME RATE	**4.50**	**4.25**	**3.75**
FEDERAL FUNDS RATE	**1.43**	**1.16**	**0.66**
LIBOR RATE 30 DAY	**0.16**	**0.16**	**0.16**
LIBOR RATE 3 MONTHS	**0.23**	**0.23**	**0.23**
30YR FIXED MORTGAGE	**3.99**	**3.83**	**4.32**

Economic Sentiment

	12/31/2019	1 Yr. Ago
Unemployment Rate	3.50	3.90
Average Single Family Home	309,600	294,600
Capacity Utilization	3.50	3.90