



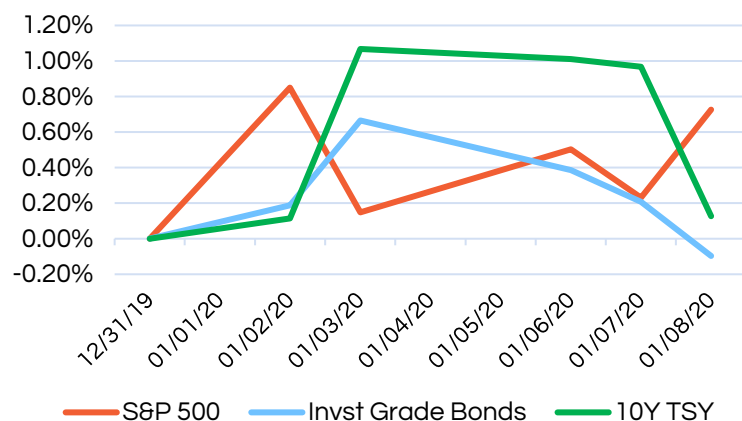
## New Year, New High

Happy New Year to all our friends and clients.

2020 is beginning where 2019 left off from a geopolitical, as well as a global capital market perspective. As we highlighted in our 2020 Outlook report, the geopolitical outlook remains tenuous and poses a significant risk to any economic and capital market outlook going forward. And already in the first ten days of 2020, we have witnessed saber-rattling in the Middle East culminate with the killing of Iran's General Soleimani, and to this point, a muted response by Iran in bombing U.S. interests at the Al-Assad Air Base.

But as we also suggested in our 2020 Outlook, 2019 was the year of the **"everything rally."** Investors' fear of missing out (FOMO) combined with there is no other alternative (TINA) helped offset any 4Q18 sell-off, pushing the S&P and NASDAQ higher by 32% and 37%, respectively. So as tensions between the U.S. and Iran seem to be de-escalating (**for now**), equities are once again for bid while safe-haven trades into U.S. bonds are reversing.

### YTD Indexed Total Returns



Source: FactSet and NEPCG

The S&P 500 Index (price-only) traded to an at all-time high on Thursday of 3,275, or almost 18.5 times next year's S&P operating earnings. **The last time the S&P traded at multiples this rich was in late 2017. However, at that time, the projected earnings growth for the S&P 500 was over 9%, compared to less than 4% currently. Further, market trends in late 2017 were a beneficiary of extra-ordinary global monetary stimulus, as well as deregulation and contrarian fiscal stimulus here in the U.S. (The Tax Cuts and Jobs Act of 2017).** Therefore, we continue to wonder for how much longer investors can support such lofty valuations, despite an economy moving somewhere through the tail-end of an economic life cycle. Please see our 2020 Outlook for more on these topics. If you would like a hard-copy of this in-depth 25-page report, please let us know. We'd love to hear your thoughts.



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