

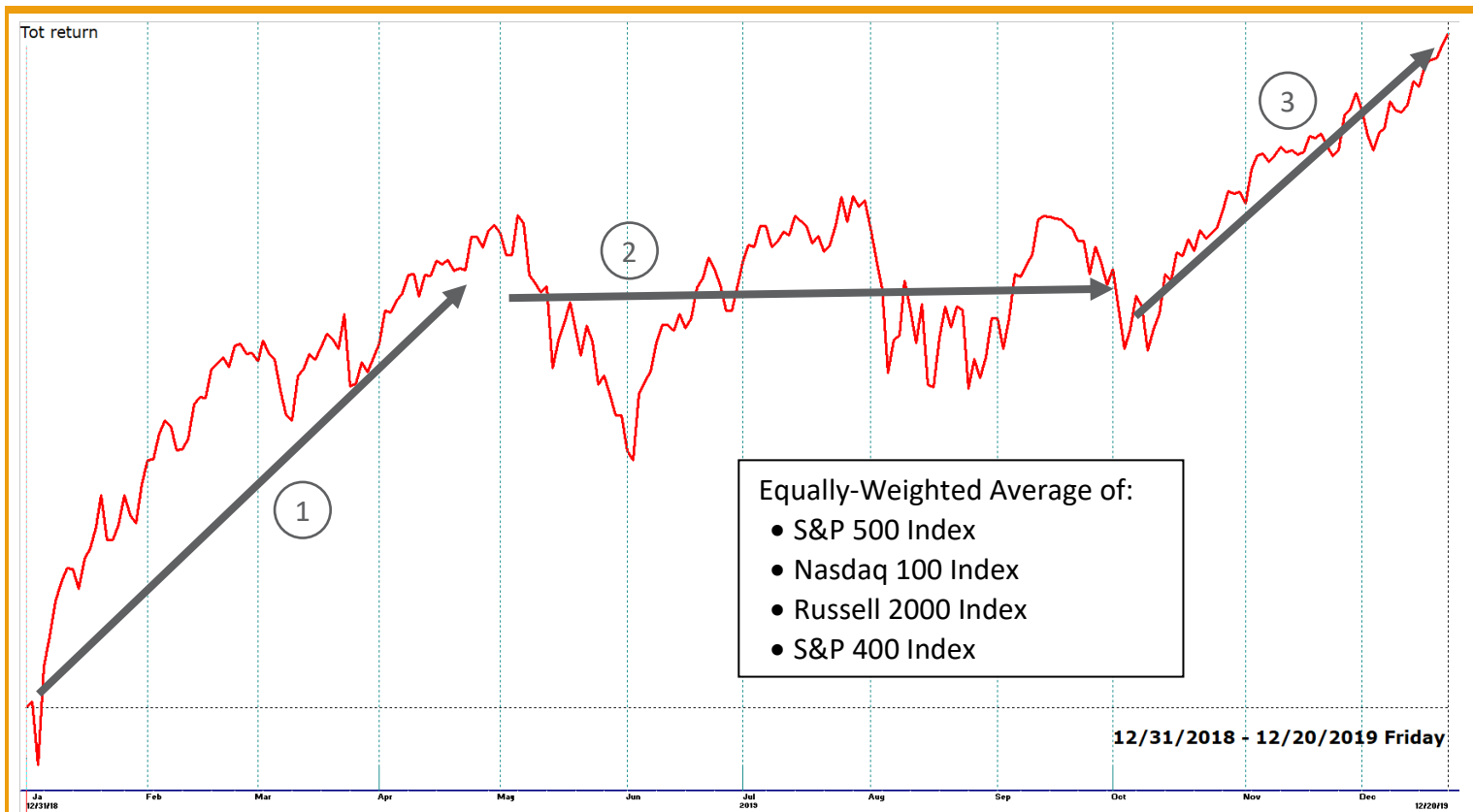


RGB Perspectives

December 23, 2019

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During 2019, the stock market went through three distinct phases. The initial surge (January – April) was a recovery of the fourth quarter 2018 market selloff that resulted from actions of the Federal Reserve that was focused on raising interest rates several times during 2019. Once the Fed shifted to a more accommodating stance in early 2019, the market reversed course and recovered much of those late 2018 losses.

During the second phase (May – September), the market entered into a period of uncertainty as we saw an escalation in the trade war with China and slowing economic growth in the U.S. and around the world. Recession fears started to rise and there was an inversion of the yield curve, which has historically been a fairly good indicator of future recessions albeit with a bit of a lag.

However, the stock market is finishing on a very positive note. In early October, the stock market entered a low volatility uptrend as many of the obstacles that created uncertainty during 2019 started to evaporate. This includes the expectation that a Phase 1 trade deal with China will be signed in early 2020, a reduction or removal of tariffs between the U.S. and China, approval of the U.S. - Mexico - Canada trade deal, and confirmation from the Fed that they have no plans to raise interest rates for the foreseeable future.

While some of the uncertainty has been removed, the beginning of the new year can be an interesting time for the markets as institutional money managers place their bets for the next year. While I don't see a lot of risks in the market currently, that can change quickly. With the Presidential election next year, we will likely see some increased volatility as we enter into what looks like to be a contentious (and possibly entertaining 🤪) election cycle.

This will be the last RGB Perspectives for 2019 and I will publish the next issue on Monday, January 6th. Lois and I wish all of you a happy holiday season and a prosperous new year. We hope you are able to spend this time with family and friends.

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