

Global equity markets followed up a strong November with an equally strong December, rising 3% on the month to close the year up 27.67% on a USD basis. Emerging markets surged 7.46%, the best performing global equity market, while the U.S. (+2.88%), Europe (+3.91%), and Asia Pacific (+2.21%) all finished the year on strong notes as well. The yield curve continued to steepen as long rates moved higher while shorter term rates climbed marginally. Commodity markets (+4.85%), particularly oil (+10.25%), benefited from a stabilizing global growth outlook and weakness in the USD (-1.92%).

Market Anecdotes

- Supportive central banks and signs of global growth stabilization alongside clear indications on Brexit resolution, Phase One U.S.-China trade deal, and the USMCA made for a sound end to the month, year, and decade with hopes for continued momentum into 2020.
 - December's FOMC meeting produced no changes to policy and made very clear they see no rate hikes on the horizon. Consensus is no hikes through 2020 and a strong preference for 'persistent and significant' moves in inflation before changing course.
 - The Fed also made clear that they expect to continue open market operations at least into second quarter in support of (repo) overnight and term lending.
 - The PBOC announced another round of stimulus in the form of a reduction in required reserves for the Chinese banking system.
 - Articles of impeachment were delivered by the House, but markets were unfazed. The base case remains House impeachment, no Senate conviction, and a coin toss in November.
 - The U.S finished the year and the decade in the midst of the longest expansion on record (126) but was the lowest of the top 10 longest expansions in terms of annualized GDP growth.
- The 2019 return for the S&P 500 (+31.5%) was a banner year by any measure, nearly three times the historical 12mo average BUT the two-year return is less than 2% above average.
 - Bianco research noted the percentage of OECD CLIs over 100 (LT average) has turned notably higher (15.8%) in October, including each of the G3 economies for the first time since July 2017.
 - Refinitiv Lipper reported \$135.5b in equity mutual fund/ETF outflows YTD through mid-December, on pace to maintain the trend of seven consecutive quarterly outflows. 2019 is on pace for the largest outflow on record (data to '92).

Economic Release Highlights

- December's inflation readings included headline/core CPI of 2.1% and 2.3% and headline/core PCE 1.5% and 1.6% respectively.
- December's ISM Non-Mfg Index of 55.0 and ISM Mfg Index of 47.2 were a mixed bag. It was the lowest Mfg level since June 2009 but Svcs exceeded expectations. The ISM Composite blends to a moderate growth reading of 54.1, up over the prior month of 53.3.
- U.S. PMIs of 52.2, 52.4, and 52.8 (C, M, S) paint a more constructive overall picture, largely meeting expectations and making the case that modest improvement is the domestic trend.
- Composite global PMI data moved higher in December with both DM (50.8) and EM (51.0) improving from last month.
- The December jobs report showed payrolls increasing by 145,000(a) v 158,000(e), with the unemployment rate remaining steady at 3.5%. U-6 unemployment hit a record low (data to '94) for Dec. of 6.7% and for the first time in 10 years, the number of women in the workforce exceeded men by 109,000.
- Average hourly earnings of 2.9% were slightly below consensus calls for 3.1%.

- November new home sales of 719k slightly missed expectations but are at their highest levels in 12 years, a large factor driving 20-year record high homebuilder sentiment indicators.
- Housing starts and permits for November continued their sharp acceleration, now both at 12-year highs.
- The December housing market index surged well beyond consensus (76 v 70), marking a new 2019 high.
- December's consumer confidence reading came in at 126.5, slightly below the consensus estimate of 128. UofM consumer sentiment of 99.3 came in as expected, a healthy reading to close out the year.

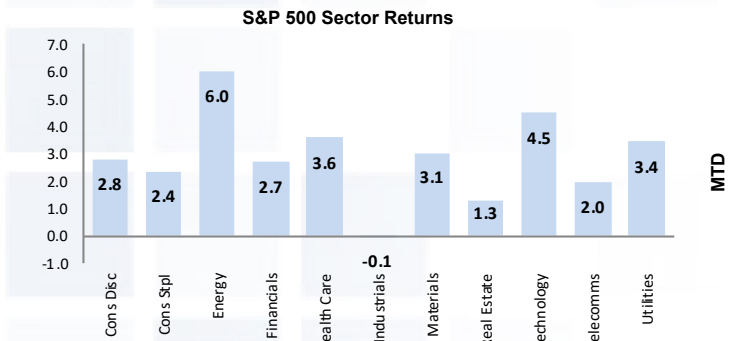
Equity	Level	1 Mo	3 Mo	YTD	1 Yr	3 Yr
Dow Jones	28538	1.87	6.67	25.34	25.34	15.73
NASDAQ	8973	3.63	12.47	36.69	36.69	19.86
S&P 500	3231	3.02	9.07	31.49	31.49	15.27
Russell 1000 Growth		3.02	10.62	36.39	36.39	20.49
Russell 1000 Value		2.75	7.41	26.54	26.54	9.68
Russell 2000		2.88	9.94	25.52	25.52	8.59
Russell 3000		2.89	9.10	31.02	31.02	14.57
MSCI EAFE		3.27	8.21	22.66	22.66	10.11
MSCI Emg Mkts		7.53	11.93	18.90	18.90	11.99
Fixed Income	Δ Yield	1 Mo	3 Mo	YTD	1 Yr	3 Yr
US Aggregate	2.70	(0.01)	(0.00)	(0.01)	(0.01)	0.31
High Yield	5.44	(0.11)	(0.15)	(0.47)	(0.47)	(0.62)
Municipal	2.14	(0.01)	(0.02)	(0.11)	(0.11)	(0.07)

Commodities	12/31/19	10/31/19	7/31/19	4/30/19
Oil (WTI)	63.27	54.02	58.53	63.83
Gold	1514.75	1510.95	1427.55	1282.30
Currencies	12/31/19	10/31/19	7/31/19	4/30/19
USD/Euro (\$/€)	1.12	1.12	1.12	1.12
USD/GBP (\$/£)	1.33	1.29	1.22	1.30
Yen/USD (¥/\$)	108.67	108.09	108.58	111.40
Treasury Rates	12/31/19	10/31/19	7/31/19	4/30/19
3 Month	1.55	1.54	2.08	2.43
2 Year	1.58	1.52	1.89	2.27
5 Year	1.69	1.51	1.84	2.28
10 Year	1.92	1.69	2.02	2.51
30 Year	2.39	2.17	2.53	2.93

Style Returns

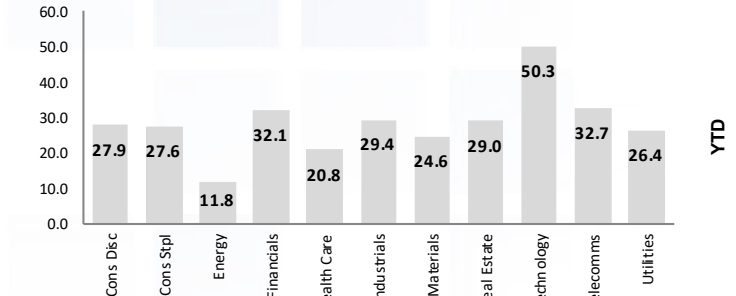
	V	B	G
L	2.75	2.89	3.02
M	3.04	2.29	1.17
S	3.50	2.88	2.29

MTD



	V	B	G
L	26.54	31.43	36.39
M	27.06	30.54	35.47
S	22.39	25.52	28.48

YTD





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