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Economic and Investment Forecast
December 2019

The end of 2019 concludes an epic decade for stock investors. With this year's equity returns close to 30%, the S&P 500 benchmark can now claim appreciation of nearly 250% since 2010, making this past ten-year period one of the all-time best. In fact, this bull market is now the longest since World War II as well as the best performing. These returns have been enthusiastically welcomed by stockholders and are a welcome respite from negative returns generated in the prior decade (2000-2010).

Many economic factors contributed to the strong markets in 2019, including accommodative Fed monetary policy, signs of progress on the China trade deal, and clarity around the Brexit negotiations. The Jerome Powell-led Federal Reserve contributed to the recent market strength as he pivoted from tight monetary policy to multiple interest rate cuts in 2019. In a recent FOMC meeting, Powell communicated that interest rates were on hold for the time being, which should translate into low borrowing costs for consumers and businesses in 2020. The recent Phase I U.S. - China trade announcement, with a focus on U.S. agriculture purchases and general tariff relief, was also positively received by investors and has propelled stock prices higher. And finally, Boris Johnson's recent resounding victory at the polls was welcomed by global markets as it further clarified a timetable for Brexit, thus reducing uncertainty around this multi-year saga.

Looking ahead, there are some clouds on the investment horizon that markets will need to face. U.S. manufacturing activity recently posted its fourth straight month of contraction, while political tensions are reaching new highs with the recent impeachment proceedings. The upcoming U.S. Presidential election is sure to be bitter. In addition, the next phases of the U.S. - China trade deal also bear watching, as both sides are sure to dig in their heels on future negotiations. Lastly, the impressive U.S. GDP growth in prior years will be difficult to sustain, as predictions for the fourth quarter of 2019 and the year 2020 are for growth of 2% or less.

With the economic outlook mixed for 2020, in large part due to policy uncertainty, the fate of the stock market will again be influenced by corporate earnings reports and forward-looking guidance from company management teams. The thirty blue-chip companies making up the Dow Jones Industrial Average are expected to grow earnings and dividend payouts by 15% and 7%, respectively, in 2020. Importantly, stocks will need to meet or exceed those targets to satisfy lofty investor expectations. The bar is also high for stocks globally, and business executives will be contending with slowing economic growth in China and continued unconventional monetary policy on the part of Central banks, creating the backdrop for elevated financial market volatility in the upcoming year.