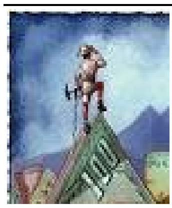
TINGEY ADVISORS
REGISTERED INVESTMENT ADVISORS

Winter 2020 Newsletter **www.tingeyadvisors.com** **801-352-8166**

Benchmarks

	31 Dec 2019	30 Sept 2019	31 Dec 2018
S&P 500	3,231	2,977	2,507
DJIA	28,538	26,917	23,327
NASDAQ	8,973	7,999	6,635
6-mo US Treasury Yield	1.60%	1.83%	2.51%
30-yr US Treasury Yield	2.39%	2.12%	3.01%
Prime Rate	4.75%	5.00%	5.50%
Federal Funds Target Rate	1.5%	2.00%	2.50%
30yr Mortgage	3.30%	3.89%	4.60%
Gold – per oz	$1,523	$1,466	$1,282
Oil - WTI / bbl	$60	$54	$46

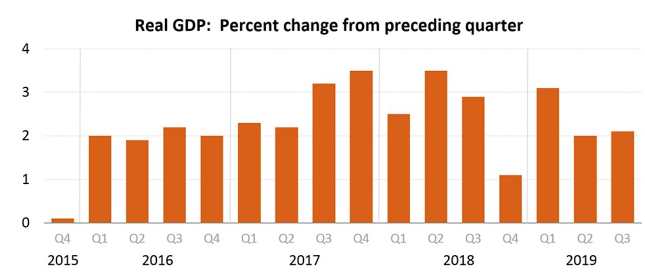
Sources for Newsletter: WSJ, Barron's, Bloomberg, NBER, Blackrock, Federal Reserve, JPM



What a difference a year makes…

Twelve months ago, investors were licking their collective wounds as prognosticators were suggesting a recession was just around the corner in 2019. The U.S. stock market had fallen nearly 20% in the fourth quarter of 2018 on fears of trade conflict with China, a government shutdown, a Federal Reserve Chairman who was projecting interest rate increases in 2019 and corporate earnings that were supposed to crumble.

In fact, while 2019 Q4 GDP has not been announced yet, it appears that the economy actually accelerated from the economic activity slowdown at the end of 2018. Furthermore, while the China trade negotiations were turbulent in 2019, we finished the year with both governments announcing a "Phase One" agreement to be signed immediately. The Federal Reserve didn't increase rates as anticipated, in fact, they decreased rates three separate times. The government reopened in early 2019 and corporate earnings held solid throughout the year.



The net result was that the economy did not enter recession – quite the contrary, it remained firm and kept generating jobs at an impressive rate. The current economic expansion is now the longest on record. Concurrent with the economic expansion is a stronger jobs market than any we have seen in 50 years. There is very little to criticize in the labor market with real improvement in both jobs and wages. The strongest growth in median wages is coming from the lowest wage earners. Low unemployment, and wages rising faster than inflation is certainly a healthy combination for consumers.

While domestic economic growth is continuing, global growth is uncertain. The trade conflict has had an impact on China. Additionally, the recent resounding vote by the Brits to reaffirm Brexit creates concern for growth in the Eurozone.

Not only was the economy and the stock market hot in the fourth quarter, the political world was hot too. During the quarter the country and perhaps the world were focused on dramatic events that resulted in the impeachment of President Donald J. Trump. The House of Representatives voted to make President Trump only the third president to be impeached while in office -- joining President Bill Clinton in 1998 and President Andrew Johnson in 1868. President Richard Nixon resigned from office before a certain bipartisan impeachment would have resulted.

Additionally, we saw the rare public rebuke of the FBI by Judge Rosemary Collyer of the secret Foreign Intelligence Surveillance Court regarding the FBI's "unsupported" information justifying surveillance of a member of the Trump campaign.

Stocks:

Stocks around the world notched one of their best years since the great recession. Just one year ago, the global economy was weakening, stocks, bonds and commodities were falling and investors were worried about a protracted downturn. Now four quarters later, stocks from U.S. to Brazil to Germany were up more than 20% apiece in 2019. The Dow Jones Industrial Average's more than 170% return for the past decade ranks as the fourth best decade long performance in the past century.

The stock markets claimed impressive gains in the fourth quarter, helping stocks hold on to their healthy gains for 2019 and prolonging the longest bull market on record according to the Wall Street Journal. Despite the political drama, investors found few solid alternatives to U.S. domestic equities. In a low interest rate environment, the relative healthy dividend yields are attractive compared to the yields of other asset classes.

Interestingly, the stock market's reaction to the President Trump's impeachment was similar to prior impeachment proceedings for both President Clinton and President Nixon. In each case the Federal Reserve's actions at the time were much more meaningful to the stock market than the impeachment proceedings.

The S&P 500 Index, Dow Jones Industrial Average and the Nasdaq Composite advanced a robust 8.5%, 6.0% and 12.2 % respectively in the 4th quarter, as the market hung on to the impressive gains from the first half of the year. For the full year, the S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite advanced a robust 28.9%, 22.3% and 35.2 % net of dividends. The strongest U.S. sectors in the quarter were information technology, communication services, financials, industrials and consumer goods.

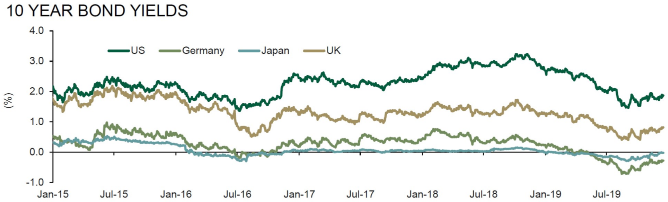
While these stock market returns are indeed impressive, they have come on the heels of the 2018 market correction. For context, if we go back to September 30, 2018 (prior to the fourth quarter stock market correction), the stock market is 10.9% higher than it was then. Given this context, the 2019 stock market advance feels more orderly.

Bonds / Interest Rates:

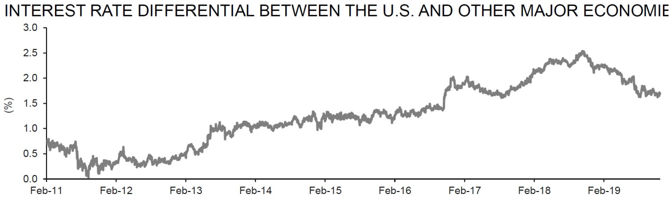
Geopolitical developments, negative interest rates abroad, domestic political uncertainty and concern for decelerating global economic growth throughout the year, led global investors to seek safety in the form of purchases of U.S. Treasury bonds.

Yields, which fall when bond prices rise, moved decisively to the downside during the first three quarters of the year, only to lift in the fourth quarter. The yield on the benchmark 10-year Treasury note settled at 1.92% to end the fourth quarter – essentially 0.25% higher than where it finished the third quarter.

10 YEAR BOND YIELDS



INTEREST RATE DIFFERENTIAL BETWEEN THE U.S. AND OTHER MAJOR ECONOMIE



Source: Bloomberg. Data as of 12/16/2019. Interest rate differential as represented by US - Average of GER, JPY, UK 10Y Yield.
For illustrative purposes only and does not represent any specific portfolio managed by Lord Abbett or any particular investment. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment. **Past performance is no guarantee of future results.**

Notably, student housing debt saw delinquencies rise to about 3.9% of the total student housing debt at the end of November. By comparison, 0.46% of commercial mortgage securities loans were delinquent.

Risks and Opportunities:

We see the following as significant near-term risks: 1) a prolonged U.S. – China trade dispute negatively impacting the global economy, 2) a sharp increase in inflation due to tight labor market's impact on wages, 3) decelerating corporate profit growth, 4) higher global government/corporate debt levels, and 5) wider government policy swings from a polarized government.

Conversely, we see the following as potential opportunities: 1) continued economic growth, 2) rising but contained inflation, 3) corporate profits potentially better than expected, 4) solid labor markets and strong resultant consumer spending, 5) The Federal Reserve continuing a path of a less-restrictive policy, and 6) a pause in the trade dispute. While we are cautious, the Federal Reserve's accommodative policy and a de-escalation of the trade conflict tilt us toward opportunities outweighing risks.

Forecast

Continued positive fundamentals with increased market volatility. U.S. Presidential cycle, trade tension, Brexit, U.S. corporate earnings, Federal Reserve interest rate strategy, and inflation are at center stage.

1. ***Market volatility to continue.***
   We see volatility continuing as over optimism and over pessimism take hold with respect to risks and uncertainties.
2. ***Trade tensions to affect the markets.*** We see as positive, recently announced "Phase One" agreement with China and expect calmer waters leading up to the U.S. elections. We believe all-out protectionism will be avoided but carries significant risk.
3. ***Tax reform impact subsiding.*** The economy is experiencing declining positive stimulus from tax reform. Our concern relates to the risk of higher federal deficits and ultimately higher interest rates if economic growth stalls.
4. ***Corporate earnings to slightly accelerate following 2019 growth rates.*** We believe corporate earnings will continue to grow at a modest pace.
5. ***Federal Reserve to hold on further rate decreases.***
6. ***Long bond returns pressured.*** With the remarkable drop in yields of the long bond in the first three quarters of the year, we will remain "short" with our fixed income strategy.
7. ***Inflation slightly higher.*** Inflation has remained calm and we could see some slight nudging upward due to the tight labor market.
8. ***Business & consumer confidence will remain solid.*** Political infighting and trade tension will restrain confidence. However, the strength of the consumer financial situation and jobs market will buoy confidence.
9. ***Oil prices could surprise on the upside.*** Unpredictable and sometimes violent tension in the mid-east could move oil prices higher.
10. ***U.S. Economic growth continues.*** Economic growth and corporate profits should continue albeit at a slower pace.
11. ***Employment continues strong.*** The labor market will continue to produce historically low levels of unemployment and the labor force participation will increase.
12. ***Our long-term forecast remains unchanged.*** We believe the stock market, while still subject to periodic corrections, is in an upward trend.

In Summary

Our investment strategies change with market conditions but our principles do not. Our long-term optimism remains intact. We recognize that during complex market times, communication is important. It is a privilege doing business with you. We appreciate your confidence in us, especially during uncertain times.