



# Markets At A Glance

Period	S&P 500	DJIA	INT'L (EAFE)	Emerging Markets	Barclays Intermediate Govt/Credit	Barclays 1-15 Yr Muni	INFLATION (CPI)
4th Quarter	9.1%	6.7%	8.2%	11.8%	0.4%	0.8%	0.7%
12 Months	31.5%	25.3%	22.0%	18.4%	6.8%	6.4%	2.1%

Markets finished an extraordinary year with a very strong fourth quarter. Most equity indexes ended the year near all-time record highs. U.S. large cap stocks continued to lead the way as all asset classes except cash provided strong returns for the year.

The U.S. Federal Reserve's pivot from raising rates as recently as December 2018 to three rate cuts in late summer and early fall of 2019 was a key driver. As expected, economic growth decelerated in 2019. By late summer an inverted yield curve and weakening economic indicators had many economists warning that recession was imminent. The Fed responded by cutting rates, recession fears have faded, and U.S.-China trade negotiations appeared to move forward. The result was a strong rally through year end.

Consumer spending has been the primary factor sustaining what is now the longest U.S. economic expansion. Consumer confidence remains elevated, helped by a strong labor market and wage increases. Trade disputes and a global manufacturing slowdown were a drag on growth. Modest inflation and very low interest rates continue to provide support.

Looking forward, record highs in stocks, low bond yields and historically tight credit spreads present challenges for return expectations going into 2020. Stock gains in 2019 were almost entirely due to valuation increases. Any further gains are more likely to be driven by earnings growth. Geopolitical and policy uncertainty remain elevated. Add elections to the mix and we expect a volatile year.