

### **What Drove the Markets?**

Four factors influenced investment performance in 2019: a shift in U.S. monetary policy, the ongoing trade dispute between the U.S. and China, earnings, and the economy.

Stocks reached record highs in 2019. The S&P 500 climbed above 3,000 for the first time. The benchmark ended Friday's trading session up 29.25% for the year. At Friday's close, the Dow Jones Industrial Average showed a year-to-date advance of 22.95%, while the Nasdaq Composite was up 35.74% YTD. The MSCI EAFE index, representing foreign stocks, was up 18.10% YTD through December 27.<sup>1,2</sup>

### **The Federal Reserve Eased**

The central bank made three quarter-point cuts to the benchmark short-term interest rate in 2019. That was a change from 2018, when the Fed worked on normalizing monetary policy with interest rate increases, while thinning its large bond portfolio.

By and large, investors welcomed the policy shift. At the end of 2018, there were concerns that the Fed's effort to tighten the money supply had backfired, with higher U.S. interest rates impeding both the domestic and global economy.<sup>3</sup>

### **The U.S. and China Trade Quarrel Cooled Down Slightly**

In December, representatives from both nations agreed on a "phase-one" trade deal after a year-and-a-half of imposing tariffs on each other's products. This pact, which is expected to be signed in 2020, is characterized as an initial step toward a larger deal.

In May, the U.S. put 25% tariffs on \$200 billion of Chinese imports; a month later, China imposed a 25% import tax on \$60 billion of U.S.-made goods reaching its shores. These tariffs may be reduced or removed as part of the phase-one deal. (Another \$120 billion worth of Chinese goods are currently under a 7.5% tariff, reduced from 15% by the new agreement.)<sup>4</sup>

### **Earnings Beat (Low) Expectations**

Stock market analysts were pessimistic about corporate profits as the year began. With economies worldwide slowing down in 2018, year-over-year earnings growth for S&P 500 firms seemed poised to decelerate.

Deceleration was evident, but later in the year, many firms managed to exceed reduced estimates. According to stock market analytics firm FactSet, 75% of S&P 500 components beat earnings-per-share estimates in Q3, compared to a 5-year historical average of 72%.<sup>5</sup>

## **The Economy Maintained Momentum**

Gross domestic product came in at 3.1% in Q1, 2.0% in Q2, and 2.1% in Q3. Through November, nonfarm payrolls growth had averaged 180,000 per month during 2019. Manufacturing output varied, as CEOs were less certain about expansion and capital investments in the first half of the year; it declined in Q1 and Q2 before improving again in Q3.<sup>6,7</sup>

The Conference Board's consumer confidence index was at 125.5 in November, above its (revised) January mark of 121.7. Inflation stayed under 2% for most of the year before reaching a 12-month high of 2.1% in November.<sup>8,9</sup>

## **What's Ahead**

Congress passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act before Christmas, and President Trump signed it into law last week. This new law alters a key rule pertaining to traditional retirement accounts. It raises the age for Required Minimum Distributions (RMDs) from these accounts, from 70½ to 72. (If you are now 70½ or older, this change does not affect your scheduled RMDs. Only those who turn 70½ in 2020 or later are subject to the new rule.)<sup>10</sup>

## **THE WEEK AHEAD: KEY ECONOMIC DATA**

**Tuesday:** The Conference Board publishes its last monthly Consumer Confidence Index of 2019.

**Friday:** The Institute for Supply Management presents its December manufacturing index, a gauge of U.S. factory activity.

Source: Econoday, December 27, 2019

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

Market Index	Close	Week	Y-T-D
DJIA	28,645.26	+0.95%	+22.95%
NASDAQ	9,006.62	+1.34%	+35.74%
MSCI-EAFE	2,031.12	+0.14%	+18.10%
S&P 500	3,240.02	+1.08%	+29.25%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.88%	-0.04%	-0.81%

Sources: The Wall Street Journal, December 27, 2019; Treasury.gov, December 27, 2019

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite is measured from the close of trading on Friday, December 20 to the Friday, December 27 close. Weekly performance for the MSCI-EAFE is measured from the Friday, December 20 open to the Thursday, December 26 close. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

## QUOTE OF THE WEEK



*“New Year’s Day is the first blank page of a 365-page book. Write a good one.”*

*- Brad Paisley*



## Champagne Gummy Bears



Nothing says “New Year’s Eve” like a beautiful flute of champagne. Get all the spritz and sparkle of champagne in gummy bear form with this DIY recipe.

[100 gummy bears]

### Ingredients

- ½ cup champagne or sparkling wine
- 2 Tbsp. powdered gelatin
- 3 Tbsp. sugar
- A gummy bear mold (like [this one](#))

### Directions

1. Pour the champagne in a saucepan over low heat and add the sugar and gelatin, whisking constantly. Continue until dissolved.
2. Slowly pour the gelatin mixture into the gummy bear molds. Pro tip: use an eyedropper for more accuracy.
3. Refrigerate or until the gummy bears have set, about 15 minutes.

Recipe adapted from Pinch and Swirl<sup>11</sup>



## End of Year Tax Tips for Small-Business Owners

If you're a small-business owner, there are a few tax planning strategies you can implement at the end of the year to save money. Here are just a few:

- **Claim 100% bonus depreciation for asset additions** - If you have new or used property, you may be eligible for a first-year bonus depreciation. In other words, you may be eligible to write off some of your 2019 asset additions. The same rule may also be applicable for heavy SUV, pickup, or van purchases.
- **Time your business income for tax savings** - If you conduct your business using a pass-through entity, your share of your business's income is passed through to you. This means that deferring income into next year makes sense if you expect to be in the same or lower tax bracket next year. The qualified business income from pass-through entities deduction can also help because deductions can be up to 20% of a pass-through entity owner's qualified business income.

\* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Tip adapted from Market Watch<sup>12</sup>



## New Year's Resolutions for Golfers

The new year means New Year's resolutions. Instead of making general resolutions this year, make ones specifically focused on your game. Some fun and tactical examples include:

- Smile more. After all, you're out there to have fun (even if you do shank the ball)!
- Visualize your name on your club's Honor Board.
- Focus on your short game.
- Don't lose your temper as easily.
- Lower your handicap.
- Improve your fitness. A well-played game happens on and off the course.
- Play more golf. This one's simple.
- Take some lessons. Even the best golfers can benefit from some pro tips.

- Visit a new course. Bonus points if it's in a totally different state or country.
- Golf with a new group of buddies.
- Increase your drive length.
- Nail your chip shots.
- Teach someone else how to play. We all started somewhere.

New Year's resolutions are a chance for us to reflect on the past year and discover ways to be our best selves, both on and off the green.

Tip adapted from Golf Monthly<sup>13</sup>



### Intentions Versus Resolutions

As the new year rolls in, we hear a lot of talk about New Year's resolutions. But resolutions might not be best for everyone. Instead, it might be beneficial to shift your thinking and view these opportunities as intentions.

But what's the difference between resolutions and intentions? To some people, resolutions feel a bit judgmental. Your goal is to change some aspect of yourself, and there's a lot of pressure to stick to resolutions, even if they turn out to not be the right fit.

In contrast, intentions are mindful decisions you can make to be the best version of yourself. For example, instead of setting a resolution to lose 15 pounds, set an intention to eat more real food and move your body a few times a week. Your intention is to live healthier and are a low-pressure commitment to yourself this new year.

Tip adapted from Nutritious Life<sup>14</sup>



### Make a Green New Year's Resolution

There are countless goals you can set for the new year, from losing a few pounds to spending more quality time with friends. If you want to make a resolution to be more environmentally friendly, here are some green New Year's resolutions to start with:

- Bring your own reusable shopping bags everywhere you go. Many states ban or charge for disposable plastic bags, so this resolution will save you money as well.
- Cook from scratch more. Prepared food, either from the grocery store or from restaurants, usually requires a lot of plastic. Plus, it takes a lot of natural resources to get those prepared meals from the farm to the factory to your dining table. Cook from scratch more to reduce your carbon footprint (even better if the groceries are sourced locally).
- Avoid fast fashion. Mass-produced fashion in big-box stores might be affordable to the end consumer, but a lot had to go into those deals. In addition, a lot of these "fast fashion" pieces are made with harmful dyes, synthetic fabrics, and use a lot of resources to produce. Instead, buy second-hand and only invest in pieces you'll love for a long time.

Tip adapted from Small Footprint Family<sup>15</sup>

***Share the Wealth of Knowledge!***

*Please share this market update with family, friends, or colleagues.*

*We love being introduced!*

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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<sup>1</sup><https://www.wsj.com/market-data>

<sup>2</sup><https://quotes.wsj.com/index/XX/MSCI%20GLOBAL/990300/historical-prices>

<sup>3</sup><https://www.washingtonpost.com/business/2019/12/11/year-federal-reserve-admitted-it-was-wrong/>

<sup>4</sup><https://www.bbc.com/news/business-45899310>

<sup>5</sup><https://insight.factset.com/earnings-insight-q319-by-the-numbers-infographic>

<sup>6</sup><https://www.marketwatch.com/tools/calendars/economic>

<sup>7</sup><https://www.bls.gov/iag/tgs/iag31-33.htm>

<sup>8</sup><https://www.investing.com/economic-calendar/cb-consumer-confidence-48>

<sup>9</sup><https://tradingeconomics.com/united-states/inflation-cpi>

<sup>10</sup><https://www.marketwatch.com/story/with-president-trumps-signature-the-secure-act-is-passed-here-are-the-most-important-things-to-know-2019-12-21>

<sup>11</sup><https://pinchandswirl.com/champagne-gummy-bears/>

<sup>12</sup><https://www.marketwatch.com/story/7-year-end-tax-planning-strategies-for-small-business-owners-2018-10-22>

<sup>13</sup><https://www.golf-monthly.co.uk/features/the-game/8-new-years-resolutions-for-golfers-83534>

<sup>14</sup><https://nutritiouslife.com/live-consciously/intention-vs-resolution/>

<sup>15</sup><https://www.smallfootprintfamily.com/10-green-new-years-resolutions>