



IFAM Capital
A FOCUS FINANCIAL PARTNER

2020 OUTLOOK & Q4-2019 MARKET COMMENTARY



2020 CAPITAL MARKET OUTLOOK

Key Observations

- Heading into 2020, several asset classes hit new all-time highs with valuations approaching similarly full levels.
- Can trade wars, or even war finally derail markets moving higher, will a contentious election prove impactful in the U.S.? Does the Fed's more accommodative reversal in 2019 mean we're back to the races?
- In the following sections, we break down the primary drivers to asset prices, discuss our updated outlook for long-term returns and pull out key themes investors should consider in 2020.

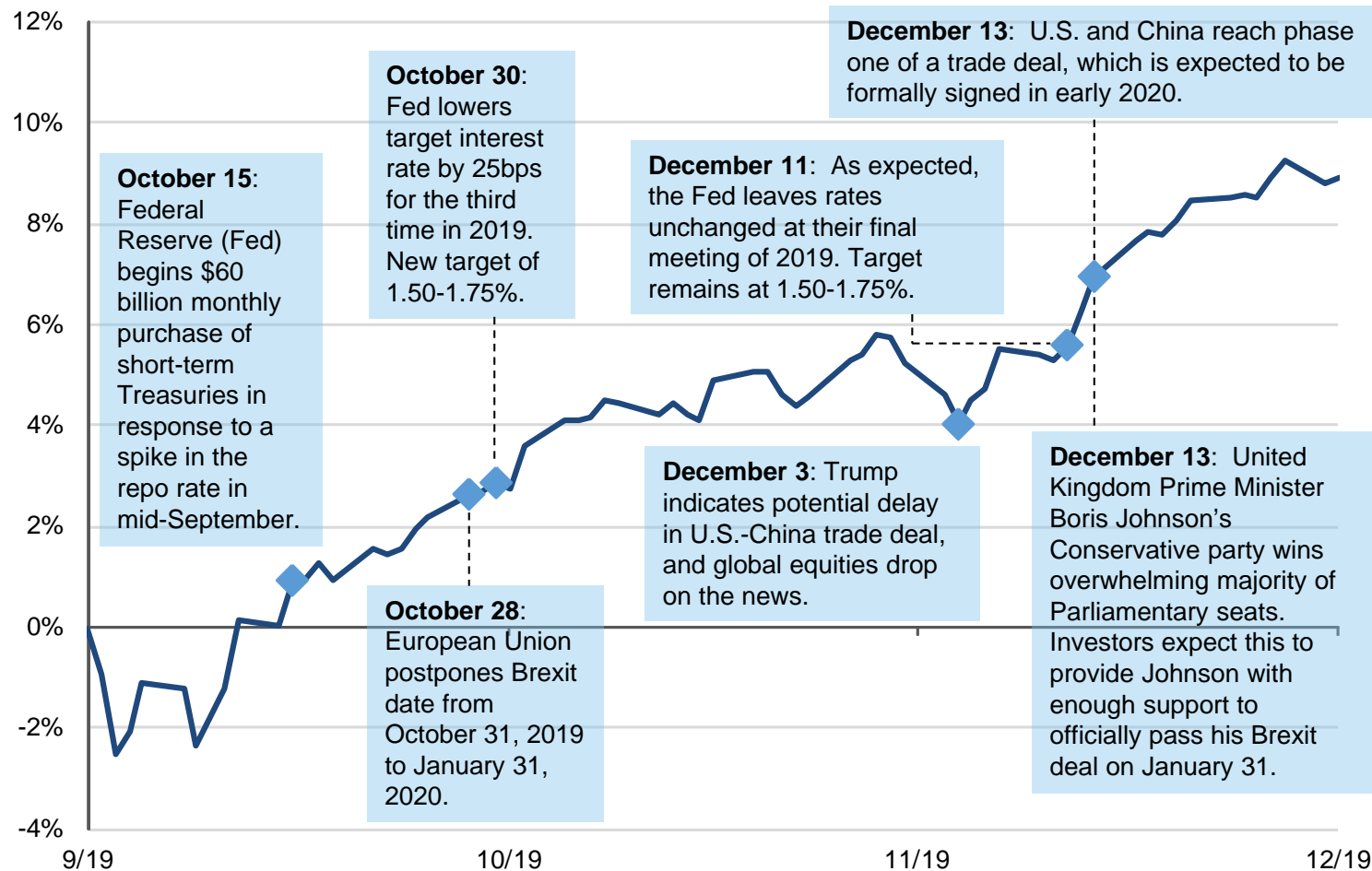
Capital Market Factors

- Economic Growth: Global business activity ended 2019 on a weak note, which may limit prospects for incrementally higher financial asset valuations. Therefore, our base case favors a defensive portfolio stance with a greater focus on managing risk exposure rather than reaching for return targets.
- Monetary Policy: Increased global growth uncertainty heading in 2020 strengthens the case for incremental monetary policy accommodation in the form of lower rates and even more balance sheet expansion. A material increase in the Fed's accommodative stance could buoy risk asset valuations.
- Fiscal: Monetary policy impotence and sluggish growth may be catalysts for meaningful discourse on fiscal reforms, but meaningful progress will take time and is unlikely to boost household consumption in 2020.
- Inflation: Although long-term broad inflation expectations remain well-anchored, any upside inflation surprise should support equity valuations and inflation-sensitive bonds, such as Treasury Inflation-Protected Securities (TIPS).
- Currency: The U.S. trade-weighted dollar ended 2019 near 20-year highs despite a dovish Fed pivot. Although Fed policy may not spur consumption growth, incremental accommodation may successfully weaken the U.S. dollar relative to foreign currencies and boost valuations for tangible assets and international equities.



4Q 2019 MARKET COMMENTARY

Global Equity Total Return (9/30/19 - 12/31/19)



Key 1Q 2020 Dates

January

- 15:** U.S. and China expected to sign phase one of trade deal
- 28-29:** FOMC Meeting
- 31:** Brexit vote

February

- 3:** Iowa caucuses (U.S. presidential election)

March

- 3:** Super Tuesday (U.S. presidential election)
- 17-18:** FOMC Meeting

Source: Bloomberg as of 12/31/19. Global Equity represented by MSCI ACWI Net Total Return USD Index.



DISCLOSURES

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