

THE WEEK IN REVIEW

The S&P 500 finished 2019 with a 31.5% total return, its best year since 2013. Global equities resumed their march higher on the first trading day of the New Year as many equity indexes rallied close to 1.0% or more. Equity markets received support from President Trump announcing that a phase one trade deal with China will be signed on January 15, and China's central bank unveiled new stimulus. The People's Bank of China (PBOC) reduced the amount of deposits that banks are required to keep in reserves by 0.5%. The PBOC's move will free up around \$115 billion for lending. Equities' rally to start the year came to an abrupt end on Friday after a U.S. airstrike on Thursday killed one of Iran's top military leaders, Major General Qassem Soleimani. The airstrike jolted tensions in the Middle East and weighed on investors' risk appetite. Increased demand for safe haven assets led stocks to retreat and drove yields on the 10-year U.S. Treasury bond to a one-month low, below 1.80%. Meanwhile, the price of gold rose over 1.5% to a four-month high of \$1,553 per ounce.

Already-tense relations between the U.S. and Iran due to supporters of an Iran-backed militia storming the U.S. embassy in Baghdad earlier this week were heightened by the airstrike. Oil prices and shares of many U.S. energy companies surged Friday morning due to concerns about potential oil flow disruptions from the Middle East stemming from Iranian retaliation. The gains in energy stocks quickly faded as a risk-off sentiment took hold of the equity market.

On the economic data front, the December ISM manufacturing index registered its lowest level in over ten years and its fifth straight month of contraction. The index fell to 47.2 in December from 48.1 in November. The consensus estimate from economists expected a reading of 49.0. A reading of 50 or higher indicates expansionary activity while below 50 signals contraction. In other economic news, the Case-Shiller U.S. National Home Price Index, which measures home prices in major metropolitan areas, reported October data. The index rose an annualized 3.3% in October, an acceleration from the 3.2% rise reported in September.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing	47.2	47.8	▼
S&P CoreLogic Case-Shiller U.S. HPI (YoY)	3.30%	3.20%	▲
Conf. Board Consumer Confidence	126.5	126.3	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	28634.88	-0.04%	0.34%	26.22%
NASDAQ	9020.77	0.16%	0.54%	39.56%
S&P 500	3234.85	-0.16%	0.13%	32.15%
MSCI EAFE	2048.95	0.30%	0.59%	19.81%
Bbg Barclays Aggregate US	2228.19	0.00%	0.14%	8.14%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.51%	1.56%	2.40%
10-Year Treasury	1.79%	1.72%	2.55%

REPORTS DUE NEXT WEEK	LATEST
Durable Goods Orders	-2.0%
ISM Non-Manufacturing	53.9
Unemployment Rate	3.5%

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.