January 2020

Monthly Market Commentary

We would like to wish you a very happy new year! May the coming year fill your life with happiness, good health, and prosperity!

In 2019, global equities posted one of the strongest years in terms of performance after a somewhat mixed year in 2018. Optimism surrounding global growth recovery in 2020 coupled with expectations of a de-escalating trade war with China are a few reasons for the strong rebound we saw over the last year. Fears of a material slowdown in the economy have faded relative to expectations. The economy continues to chug along around the average expansion of the current cycle that stands around 2% with muted inflation. However, it’s important to stay watchful as growth continues to slow from its peak of 3.2% in the second quarter of 2018 and is expected to be around 1.9% YoY in the fourth quarter of 2019. The job market remains healthy with low unemployment and some pressures of wage growth, which is consistent with late cycle dynamics.

After a strong year of returns driven by corporate earnings multiple expansion, it will be very important for companies to post earnings in-line or better than consensus expectations of around 10% growth for the year. Any disappointments on that front could create higher volatility in equity markets. With the current late cycle dynamics in the United States and the Presidential Election in the later part of the year, we continue to take selective exposures with better risk/reward ratios.