

CLIENT NEWSLETTER

DECEMBER 31, 2019

Message from the Managing Director, Private Client

As I write this newsletter at the beginning of a new calendar year, I am struck by the overwhelming number of bullish commentators. Over the holiday season, I read a number of business articles on the state of the markets and predictions for 2020, and most were heralding the strength of the markets **(Read more)**.

Record wealth is being created, the U.S. economy is strong, employment is high, and three interest rate cuts from the Fed in 2019 suggests consumers will continue to drive consumption. The first business day of the new year, January 2nd, saw the bullish pattern continuing. So, what is concerning about this picture?

I know many of you attended one of our three Private Client Conferences in November and enjoyed hearing from Mark Stacey, head of our investment team, and also our in-house political commentator, Greg Valliere. One of the major cautions which was emphasized at the conclusion of the conference was, while economic conditions are strong, and markets continue to perform well, there are three huge geopolitical risks facing us: China trade wars, North Korea and instability in the Middle East. In the first week of January, President Trump kicked off a major dispute by ordering an air strike and killing a senior Iranian commander. The markets initially reacted negatively before recovering, so at least one of the major risks is upon us. Time will tell how much of an impact this will have on the bullish commentators.

At Highstreet with our disciplined and repeatable approach, we are committed to navigating through this confusing and contradictory world!

It has been an eventful year in financial markets as markets bounced back from a soft 2018. Looking back on 2018, the S&P 500, a proxy for the broad U.S. equity market, finished the year with the worst December since 1931. Fast forward a year and the S&P 500 posted the strongest year since 2013. 2019 also marked the first time since 1995 the S&P 500 jumped by at least 20%, while the U.S. 10-year yield dropped by at least 20%, from 2.7% to 1.9%.

Investor concerns about trade tariffs, slowing economic and earnings data were offset by central banks lowering interest rates to spur future growth. Markets moved higher throughout the year with 10 out of 12 months posting positive returns. Trade uncertainty guided markets downward for two months, however with the announcement of a “Phase One” trade deal and central banks remaining accommodative, markets posted strong gains to end the year. The strong performance was widespread with the S&P/TSX Composite, a proxy for the broad Canadian equity market, and the MSCI ACWI, a proxy for the broad global equity market, both posting their strongest years since 2009. Sector performance was also strong with all sectors in MSCI ACWI posting positive returns for the year, led by Information Technology and Financials, while Energy and Materials were the relative laggards.

As we look to 2020, the key investment themes include stabilizing economic data against a backdrop of the next phase of U.S.-China tariffs, the U.S. election, central banks balancing monetary policy and the economic cycle. All against a backdrop of geopolitical concerns. The investment team continues to monitor the key risks and any further developments in the investment landscape.

Warm Regards, Michael Hodgson

Events & Sponsorships



Highstreet donated substantial food & cash in support of Business Cares Food Drive with donations going to the London Food Bank for the 2019 Holiday Season!

Current Events



Greg Valliere was recently featured on BNN Bloomberg and described the recent escalating events between the U.S. and Iran as a “game changer”.

Stay up-to-date on the political and market implications by subscribing to Greg’s daily Capitol Insights.

As always, we would love to hear from you. If you have any questions, concerns or comments do not hesitate to reach out to your relationship manager.

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