MarketDesk
White Label Insights

The following four pages provide a sample of the **Quarterly Client Update** you will receive as part of the White Label Insights package. The format of the quarterly update will generally be as follows:

- **Pages 1-3:** The first three pages provide a client-friendly macro discussion of the most recent quarter and an outlook for the quarter ahead, including a general analysis of the risk and opportunities.
- **Page 4:** The fourth page provides a review of the quarter in numbers. Charts cover U.S. style and sector returns for the most recent quarter, as well as year-to-date. A market data center at the bottom of the page provides price, performance, and valuation metrics for stocks, fixed income, interest rates, and commodities.
- The header on the first page can be **customized** with your firm's logo and contact information. The footer on each page can be customized with your compliance disclosures. This **video** provides a step-by-step guide on how to brand your insights.

All white label content is designed to be used "as is", meaning you can brand the content with your firm's information, get compliance approval, and start using it right away.

However, if you would prefer to add additional commentary, **you can edit the document** as you see fit to include your own opinions and market insights.

In addition, we encourage you to customize the white label content. Announce firm highlights and awards. Highlight firm employees. Share media appearances. Introduce summer interns. Notify clients of upcoming events. Add a lifestyle section. Reference exciting events in your local community. **The possibilities are endless!**

In addition to this document, you will receive a compliance support package to facilitate compliance approval and an audio recording of the client update to distribute.

See Quarterly Sample

Your Firm's Logo
WEALTH MANAGEMENT

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Quarterly Client Letter | Fourth Quarter 2019

Equity – U.S.

Strong 2019 Finish for U.S. Stocks

The U.S. stock market traded higher during the fourth quarter of 2019. Equity markets reacted positively to two market events during the quarter.

On October 11th, the White House announced that U.S. and China negotiators agreed to a Phase One trade deal. While the final details are still emerging, the U.S. agreed not to proceed with scheduled tariffs in exchange for China canceling its retaliatory tariffs and committing to purchase more agricultural goods. The partial trade deal is viewed as a significant step toward resolving a 15-month trade war between the two biggest global economies.

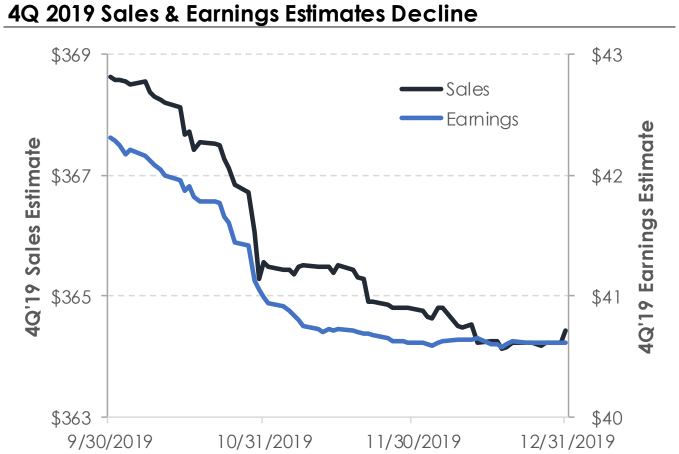
On October 30th, the Federal Reserve cut its benchmark interest rate by 0.25% to a range of 1.50-1.75%. It was the third interest rate cut in 2019, following interest rate cuts in July and September. Federal Reserve Chairman Jerome Powell suggested interest rates would remain steady for the foreseeable future.

The two positive developments led to positive investor sentiment. Risky assets, such as global equities and non-investment grade corporate credit, outperformed as investors' view of the global economy improved. The Nasdaq Composite crossed 9,000 for the first time. The S&P 500 Index and Dow Jones Index both reached all-time highs. From a sector perspective, technology stocks outperformed during the quarter as Microsoft and Apple both experienced strong outperformance. Health care stocks also outperformed after underperforming earlier in 2019. Utility and consumer staple stocks underperformed during the fourth quarter as investors rotated from less economically sensitive assets to more economically sensitive assets.

Q4 2019 Sales & Earnings Estimates Decline

Earnings estimates declined during the fourth quarter as markets reached record highs. Figure 1 graphs the decrease in S&P 500 Index sales and earnings estimates during the quarter of 2019. Analysts' Q4 2019 earnings estimates for the S&P 500 Index decreased from $42.29 per share on October 1, 2019, to $40.61 per share on December ,31, 2019. Analysts' Q4 2019 sales estimates for the S&P 500 Index decreased from $368.59 on October 1, 2019, to $364.37 per share on December 31, 2019. Companies will report fourth quarter 2019 earnings starting in January 2020.

FIGURE 1
4Q 2019 Sales & Earnings Estimates Decline



Economic Update

Economic indicators increasingly point to a split between consumers and businesses. The U.S. consumer appears resilient, with jobs being added at a decent pace, payroll gains being revised higher, and unemployment reaching a five-decade low.[1] On the business side, U.S. manufacturing activity fell further into contraction territory during the fourth quarter.[2] Durable goods orders also fell unexpectedly during November.[3]

[1] Department of Labor
[2] ISM – Institute for Supply Management
[3] U.S. Census Bureau

Investors are watching the divergence closely for any signs that weak business spending could flow through to consumer confidence and spending.

2019 Holiday Season Sales

Initial reports indicate 2019 holiday retail sales grew 3.4% over 2018. MasterCard estimates shoppers spent 19% more on online shopping this year, while in-store sales grew 1.2%.[4] The transition from in-store retail to online retail continues to impact traditional retailers. The S&P Retail Select Industry Index produced a total return of 14.01% during 2019. In contrast, internet retailer Amazon generated a total return of 23.03% for the full year and is approaching a $1 trillion dollar valuation.

Equity – International

Global Market Sentiment Improves

The positive U.S. market sentiment carried over to international stock markets. Investors cited multiple reasons for an improved global economic outlook:

- *Global Trade Relations*: Improving U.S.-China trade relations could mean a return to more normalized global trade. In addition, the U.S. House of Representatives passed the revised NAFTA agreement in late December. Both trade developments are positive for global stock markets, because they remove uncertainty for business executives.
- *Central Bank Activity*: Global central banks continue to cut interest rates, which is broadly supportive of global economic growth. Interest rate cuts are meant to lower financing costs, which generally encourages borrowing and investing that can lead to economic growth.
- *United Kingdom (UK) Election*: Boris Johnson and his Conservative party won a clear majority during the December UK election. Johnson's resounding victory could give him the needed votes to complete the UK's exit from the European Union. Finalizing Brexit would provide European business executives clarity on how the UK and European Union would interact from a regulatory perspective, which in turn could spur business investment spending.

Global stock markets rallied during the fourth quarter. The MSCI Emerging Markets Index, which tracks emerging market stocks across 26 countries, gained 12.06%. The MSCI EAFE Index, which tracks developed markets in Europe, Australasia, and the Far East, produced a total return of 7.68%.

Regional Update

In Europe, Eurozone manufacturing activity fell for the eleventh consecutive month during December.[5] Germany's export dependent economy continues to weigh on the Eurozone due to the U.S.-China trade dispute and Brexit uncertainty. The Eurozone region produced an 8.23% total return during the quarter.

In Asia, Hong Kong protests continued during the fourth quarter. The protests impacted the economy. Hong Kong's 4Q 2019 GDP fell by 2.9% as retail sales and tourist arrivals declined.[6]

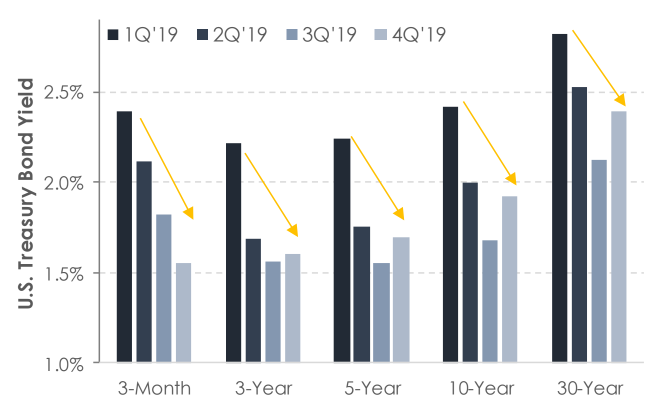
Fixed Income

U.S. Treasuries Underperform

Government bonds produced negative returns during the quarter. Interest rates increased as investors rotated out of bonds to buy riskier assets. Rising interest rates cause bond prices to fall. Figure 2 shows the interest rate at various Treasury maturities at the end of the previous four quarters.

FIGURE 2

U.S. Treasury Yields Decreased in 2019



High Yield Corporate Debt Outperforms Investment Grade Corporate Debt

Corporate bonds outperformed U.S. Treasuries during the fourth quarter. Investment grade corporate debt produced a 1.45% total return. High yield corporate debt,

[4] Mastercard SpendingPulse
[5] Markit Economics
[6] Census and Statistics Department, Hong Kong

which benefitted from an improved economic outlook and investor demand for higher yielding assets, produced a 2.45% total return. While risky, high yield corporate debt outperformed during the quarter, investors' concerns continue to grow about rising corporate debt and the risk of corporate debt defaults.

Investment Outlook

Global stock markets dealt with a lot of uncertainty during 2019. Global trade disputes caused businesses to pull back on capital spending. Various economic regions faced political tensions, such as the UK's departure from the European Union, Hong Kong's protests, and the U.S.'s impeachment proceedings. As a result, global economic growth was the weakest since the global financial crisis a decade ago.[7]

As we start 2020, there are several positive catalysts that could support global markets. First, the Phase One China trade deal could provide certainty for businesses to start investing and spending again. Increased business spending could lead to stronger economic growth. Second, the U.S. consumer remains supported by a tight job market and low unemployment. A strong U.S. consumer could continue to drive economic growth and lead the stock market higher. Third, low global interest rates could stimulate economic growth.

However, there are also multiple risks on the horizon. First, global trade disruption could continue. The Phase One China trade deal does not fully address the two countries' ongoing trade dispute. In addition, the White House and European Union leaders continue to negotiate a revised trade deal. Second, continued weak business spending could flow through to consumer confidence and spending. A 2012 study estimated the U.S. consumer accounts for approximately two-thirds of the U.S. economy.[8] Third, growing corporate debt could become a burden for companies if the economy slows and sales decline. An increase in corporate debt defaults could spread throughout the U.S. economy.

As of October 2019, the International Monetary Fund (IMF) forecasted 2020 global growth to be 3.4%.[9] The IMF's October 2019 estimate is a 0.2% drop from April 2019. The IMF's declining global growth estimate reflects the ongoing global trade uncertainty and weak business spending. Now that the Phase One trade deal is signed, investors will be watching to see what 2020 has in store for global markets.

[7] IMF – International Monetary Fund
[8] Federal Reserve Bank of St. Louis
[9] IMF – International Monetary Fund

THIS QUARTER IN NUMBERS

FIGURE 3

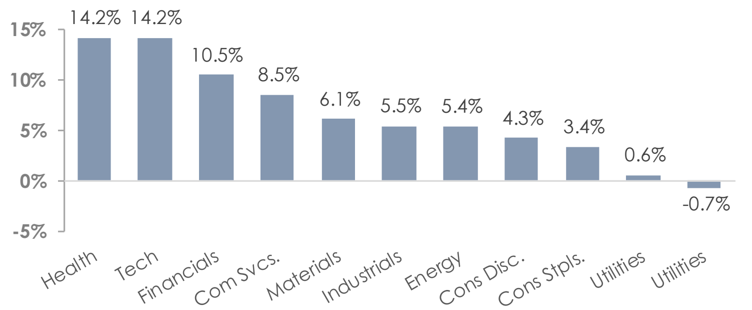
U.S. Style Returns (1-Quarter)

	Value	Blend	Growth
Large	7.3%	9.0%	10.5%
Mid	6.3%	7.0%	8.1%
Small	8.3%	9.9%	11.4%

As of 12/31/2019

FIGURE 4

U.S. Sector Returns (1-Quarter)



As of 12/31/2019

FIGURE 5

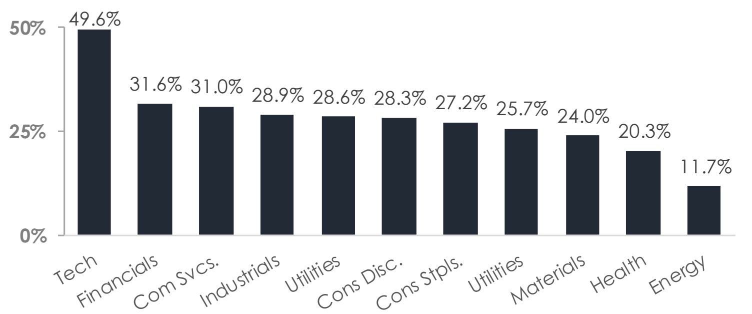
U.S. Style Returns (Year-To-Date)

	Value	Blend	Growth
Large	25.9%	31.0%	35.7%
Mid	26.6%	30.1%	35.0%
Small	21.9%	25.3%	28.4%

As of 12/31/2019

FIGURE 6

U.S. Sector Returns (Year-To-Date)



As of 12/31/2019

FIGURE 7

Market Data Center

Stocks	Level	1 month	3 months	YTD	1 year	3 years
S&P 500	3,231	2.9%	9.0%	31.0%	31.0%	50.9%
Dow Jones	28,538	1.8%	6.5%	24.8%	24.8%	52.5%
Russell 2000	4,147	2.8%	9.9%	25.3%	25.3%	27.2%
Russell 1000 Growth	1,171	2.9%	10.5%	35.7%	35.7%	72.4%
Russell 1000 Value	832	2.7%	7.3%	25.9%	25.9%	29.8%
MSCI EAFE	1,190	3.0%	7.7%	21.8%	21.8%	30.6%
MSCI EM	61,467	7.7%	12.1%	18.1%	18.1%	36.7%
NASDAQ	8,973	3.9%	12.8%	38.9%	38.9%	83.1%

Dividend Yield	NTM P/E	P/B
1.69%	18.2x	3.6x
2.03%	16.9x	4.2x
1.27%	23.4x	2.1x
0.94%	23.1x	8.3x
2.26%	15.2x	2.1x
3.12%	14.8x	1.6x
2.25%	12.9x	1.7x
0.69%	22.7x	6.3x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	2.64%	0.0%	0.1%	8.4%	8.4%	11.8%
U.S. Corporates	3.21%	0.5%	1.4%	17.1%	17.1%	19.5%
Municipals (10yr)	2.37%	0.3%	0.6%	7.0%	7.0%	12.6%
High Yield	4.97%	1.9%	2.5%	13.8%	13.8%	17.0%

Key Rates	12/31/2019	11/30/2019	9/30/2019	6/30/2019	12/31/2018	12/31/2016
3 yr Treasuries	1.60%	1.61%	1.56%	1.69%	2.46%	1.53%
10 yr Treasuries	1.92%	1.78%	1.68%	2.00%	2.68%	2.48%
30 yr Treasuries	2.39%	2.20%	2.12%	2.53%	3.01%	3.08%
30 yr Fixed Mortgage	3.86%	3.73%	3.72%	3.80%	4.51%	4.06%
Prime Rate	4.75%	4.75%	5.00%	5.50%	5.50%	3.75%

Commodities	Level	1 month	YTD
Oil (WTI)	61.06	10.7%	34.5%
Gasoline	1.68	1.6%	32.5%
Natural Gas	2.19	-4.0%	-23.2%
Propane	0.50	-9.7%	-27.1%
Ethanol	1.28	-16.1%	9.0%
Gold	1,523	3.9%	18.9%
Silver	17.92	5.6%	15.3%
Copper	2.79	5.8%	6.3%
Steel	589	7.1%	-18.3%
Corn	3.88	1.7%	3.4%
Soybeans	9.41	7.5%	11.4%

As of 12/31/2019

Insert Your Disclosures Here