



Ending a Banner Year and Squinting Ahead into 2020

It's a rare year when stocks, bonds and gold rise substantially in the same year, but everything seemed to rise in 2019, with gold scoring its best year since 2010, and U.S. stocks scoring their best year since 2013. Even the slow-growing European markets did well, led by France, Switzerland and Germany, with beleaguered Brazil leading the way among emerging markets.

<u>Top Foreign Markets</u>		<u>Major U.S. Stock Indexes</u>		<u>Top Commodities</u>	
Brazil: Sao Paulo	+31.6%	NASDAQ	+35.2%	Crude Oil	+34.5%
France (CAC)	+26.4%	S&P 500	+28.9%	Gasoline	+28.3%
Switzerland	+26.0%	Russell 2000	+23.7%	Coffee	+27.3%
Germany (DAX)	+25.5%	Dow Industrials	+22.3%	Platinum	+22.1%
				Gold	+18.9%



The SECURE Act: BIG Changes to IRA's!

- 1: The RMD age is being moved from 70 ½ to 72 – this provides an extra 18 months when clients can let their retirement funds grow before being forced to tap into them.
- 2: Investors are no longer prohibited from contributing to a traditional IRA if they are 70 ½ and older, as long as they have earned income. Clients can continue to put away money in a traditional IRA if they work into their 70s and beyond.
- 3: Part-time employees will have access to 401(k)s. The Act guarantees 401(k) plan eligibility for employees who have worked at least 500 hours per year for at least three consecutive years and who are 21 years old by the end of that three-year period.
- 4: There will now be penalty free withdrawals for the birth or adoption of a child. If parents have a retirement account, the Act lets each parent take out up to \$5,000 without paying the usual 10% early-withdrawal penalty.
- 5: Modification to the Required Minimum Distribution Rules – Withdrawals over a lifetime are NO LONGER an option for most non-spousal beneficiaries, including trusts. Inherited balances from all defined contribution plans, traditional IRAs, and ROTH IRAs must be zero by the tenth year after the account owner's death. Relevant details:
 - This rule does not apply to spouses that inherit retirement balances
 - This rule does not apply to those who have already inherited a retirement account
 - Distributions from an inherited ROTH are still tax free

We strongly recommend making qualified charitable distributions (QCDs) if you are over age 70 ½. QCDs are direct transfers from an IRA to a qualifying charity of up to \$100,000 per year.

The passage of the SECURE Act will severely curtail the use of Stretch IRAs, which calls for advanced tax planning so that your assets are best protected. Any client with a large IRA balance who is interested in leaving an inheritance to their children – and has concerns about the changes – can take action with us.

Ten Themes for 2020

Larry Adam, Chief Investment Officer of Raymond James, published his 10 Themes for 2020. All are visionary and relative to 2020 eyesight.

#1: Keeping a Close Eye on the Economy

We forecast that U.S. GDP growth will be moderate at 1.7%, but that the current record-setting economic expansion will continue unabated at least through the presidential election. A resilient labor market, robust consumer spending, and a rebound in global growth should be supportive.

#2: The Fed's Corrective Surgery

The Federal Reserve performed corrective surgery in the form of three "insurance" rate cuts. Those actions recalibrated Fed policy and have extended the duration of the expansion thus far. We do not anticipate interest rates will be altered in 2020.

#3: Tunnel Vision on the US Presidential Election

While Congressional gridlock (Rep. Senate, Dem. House) continues to be the likely outcome, uncertainty remains at the top of the ticket. If history serves as a precedent, positive economic data leads to a favorable outcome for the incumbent. But given the level of division across the country, the election may be determined by two key swing states: Pennsylvania and Wisconsin.

#4: A Magnified Look at the Bond Market

Global yields remain near record lows and continue to reduce the upside return for the bond market overall. Due to more moderate U.S. growth, muted inflation, international demand, and favorable demographics, we do not expect the 10-year Treasury yield to move significantly over the next twelve months (year-end target: 1.75%).

#5: See the Bigger Picture for US Equities

The macroeconomic backdrop remains supportive with muted risk of a recession. 2019 performance was largely driven by P/E expansion, but 2020 should renew the emphasis on earnings growth, which we forecast at 5%-6%. Since 1936, in presidential election years, the S&P 500 has rallied 9% on average and was positive 86% of the time.

#6: Double Vision of Favorite Sectors

Our favorite sectors being Information Technology, Communication Services, Financials, and Industrials. This sector selection, is inherently beneficial to small-cap stocks.

#7: Near & Far Sights for Technology Sector

We envision the technology sector being a stand out again this year. Our near sights are focused on earnings visibility, which remains strong with the anticipated rollout of 5G. The transition from 4G to 5G is the largest enhancement in wireless technology in a decade, so our far sights believe this will be a multi-year catalyst for everything from semiconductors to phone carriers.

#8: Blurred Vision for International Equities

A possible bottoming in Europe's economic data, attractive valuations on a relative basis, an acceleration in earnings growth, and the possibility of substantial fiscal stimulus packages (especially in Germany) have the potential to propel international equities moving forward. We maintain our view on emerging markets as an appealing allocation for long-term investors.

#9: A Panoramic View of the Dollar and Oil

A Fed on hold, decelerating US economic growth and burgeoning twin deficits will likely keep a stronger dollar out of view. A stable, slightly weaker dollar is a positive for commodities. Specifically, we believe that oil prices will recover to six-year highs by the end of 2020 and rally to \$65/barrel.

#10: Volatility is Hiding in Plain Sight

With 2019 being the best year for US equities since 2013 and aggregate bonds since 2002, investor complacency and elevated expectations are evident. However, volatility is hiding in plain sight. From trade wars to impeachment, from growth concerns to geopolitical tensions, there is no shortage of headline risk for 2020.



"I've crunched the numbers in your retirement account. It's time to figure out who will be wearing the mask and who will be driving the getaway car."

We always encourage investors to keep their eyes on the prize and follow a well-thought out financial plan that tailors an appropriate asset allocation in light of specific investment objectives and risk tolerance.

To view the full commentary by Larry Adam, please request a copy from our office or visit www.raymondjames.com/commentary-and-insights/markets-investing/2020/01/02/10-themes-that-will-affect-your-2020-investing

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