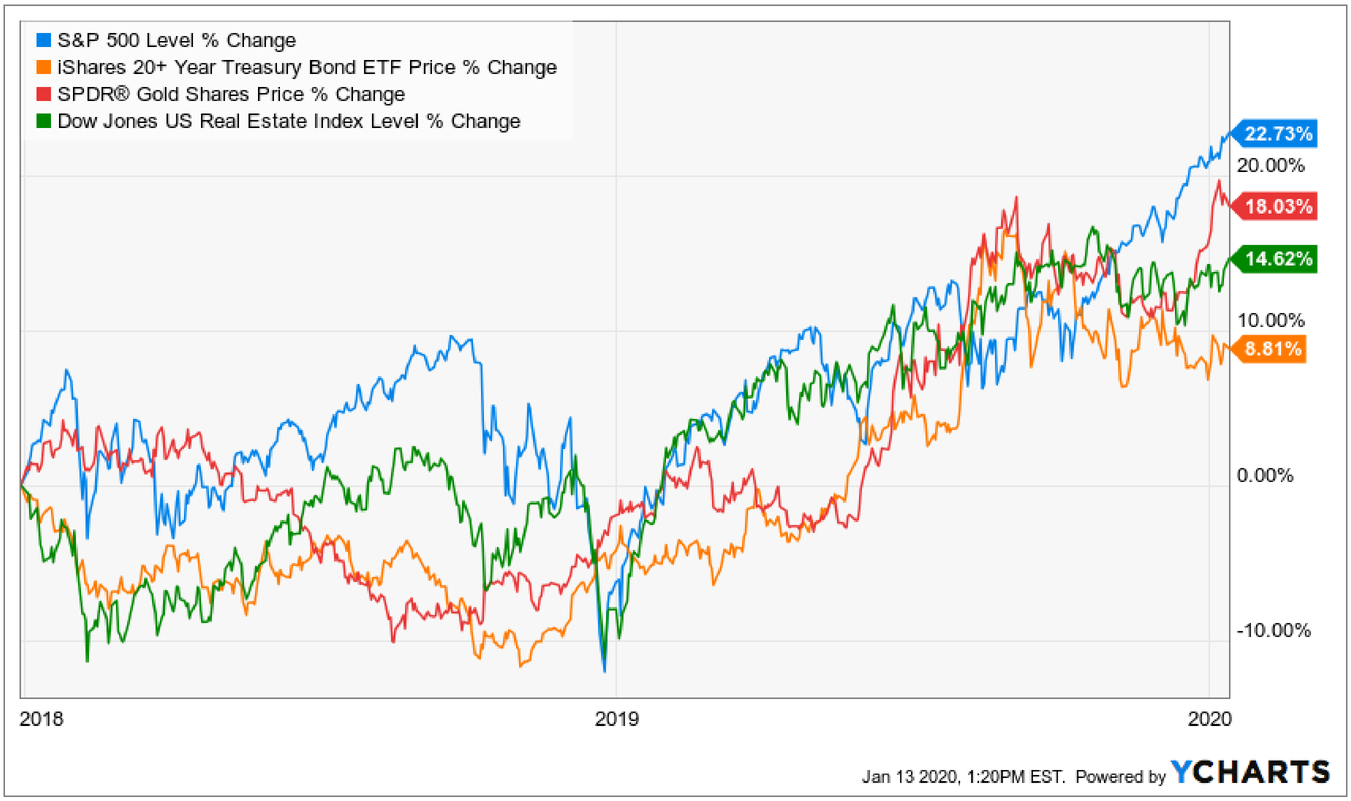
Market Update

January 13, 2020

New High's Amidst Turmoil

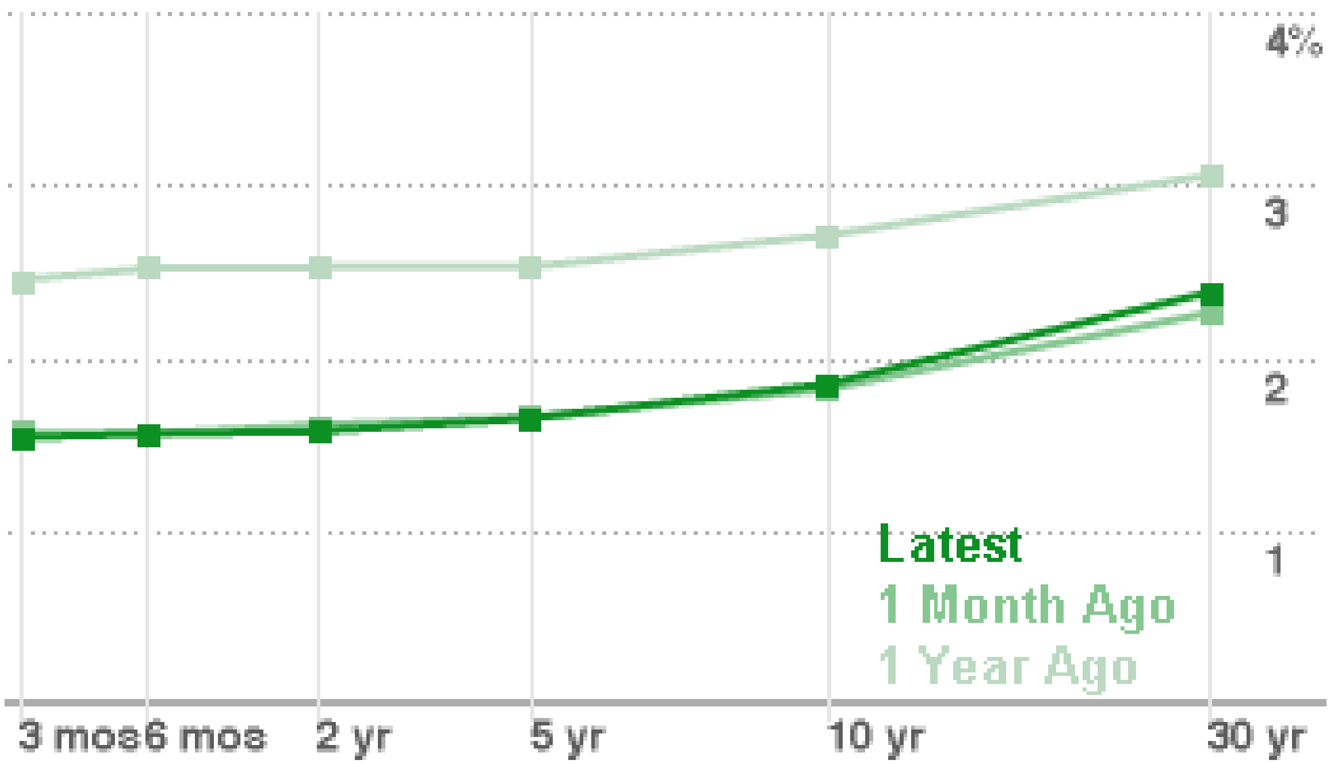
- The U.S. economy continued to churn out jobs at a solid pace. Non-farm employment grew by 1.6% over 2019, marking only a slight deceleration from the 1.7% recorded in 2018.
- The services side of the economy also continued to fare better than its manufacturing counterpart. The ISM Non-Manufacturing Index edged 1.1 points higher, to its highest level in seven months.
- The U.S. trade deficit dipped to its lowest level in three years, as tariffs, among other factors, shifted trade flows.

Geopolitical developments continued to influence market movements as Iran retaliated for the death of a top military leader, with an air strike against U.S. forces. Markets reacted violently to this development, with stock futures tumbling overnight only to reverse significantly the next morning, on reports of no U.S. casualties and statements from the Iranian Regime that they are not going to escalate tensions further. Oil and gold retreated from earlier highs, on the back of reduced tensions, in the region.



Information in the chart above was taken from sources we believe to be reliable; however; we do not guarantee its accuracy or completeness. Date Range start 01/01/2018.

A note about the graph above: We see in the chart above that all 4 indexes move differently depending on the time period you are looking at in the graph. Diversifying investment dollars into assets that they may track similarly, to the indices, in the graph (and many others) is one way that we can mitigate the downside risk and depth of a decline of a portfolio, of different assets, which we feel this graph is helpful in portraying. Key developments to watch as the year moves on will be the Presidential race and understanding who the contender will be for the Democratic party. Depending on who that is will determine some potential direction for future investment dollars.



Information in the chart above was taken from sources we believe to be reliable; however; we do not guarantee its accuracy or completeness. Information provided by TD Ameritrade Institutional.

The treasury yield curve, above, remained relatively stable since last month with a slight move up in yield for the longer dated bonds. The positive slope relationship from near-term to long-term bonds continues to be a positive sign that the economy is currently strong, and that future recession fears remain lower than they did a year ago, at this time.

We see low interest rates with a positive sloping yield curve as a good indication that the economy in the next six months has the necessary stimulus and under-pinning's to continue to support stock prices.

Our opinion remains that 2020 could be another decent year for equities investors. We see the potential of a new trade deal with England becoming a bit easier to accomplish, after the recent elections and continued negotiations with China as key developments to look for. The 2020 Presidential race will certainly provide influence on traders and investors outlooks as we get closer to understanding who the candidates are and what their policy positions will be. There are some concerns with certain candidates' current stances on taxation and trade related issues, but ultimately it is too early in the process to make any determinations. One thing we believe is that once the front runner or runners are determined, there will be plenty to compare and contrast with respect to current policy.

Having a disciplined investment and risk management process, regardless of market action, is the foundational elements to our portfolio designs. It is this portion of the approach of portfolio management, that helps consistently reduce the long run risk taken in a portfolio of investments. Speculating about near term directions in the markets can be and often is a difficult and risky proposition. We can control the risk and process we take in our portfolio construction, but we cannot control market performance.

Overall, we prefer domestic equities over international equities. We prefer more value-oriented stocks vs. growth stocks, currently. As we have stated in the past, value stocks tend to move more slowly in either direction when the markets react to stimulus. In later stage economic environments, a tactical shift to overweighting value type stocks can reduce portfolio risk. As we watch interest rate policy decisions from the Federal Reserve and further developments on trade, we will be evaluating our stance and are looking at opportunities that exist in more of the growth areas, of the market. These are areas we are looking at, to continue to make tactical changes, over the course of the coming months. We are currently neutral on fixed-income and interest rates. It is important to maintain discipline regarding long-term strategic asset allocation. However, as market conditions dictate, we are looking at tactical opportunities to reduce risk in portfolios, if necessary.

If you have questions or would like to discuss this further regarding your personal portfolio, please contact me at 310-469-7254.

James M. Liotta, CFP®, CPWA®, AIF®, NSSA®, MBA
President
Prominence Capital GP, LLC.
jliotta@prominencecapital.com
www.prominencecapital.com

PROMINENCE CAPITAL