# ~ Prevailing Winds ~

CHARTER RESEARCH and INVESTMENT GROUP

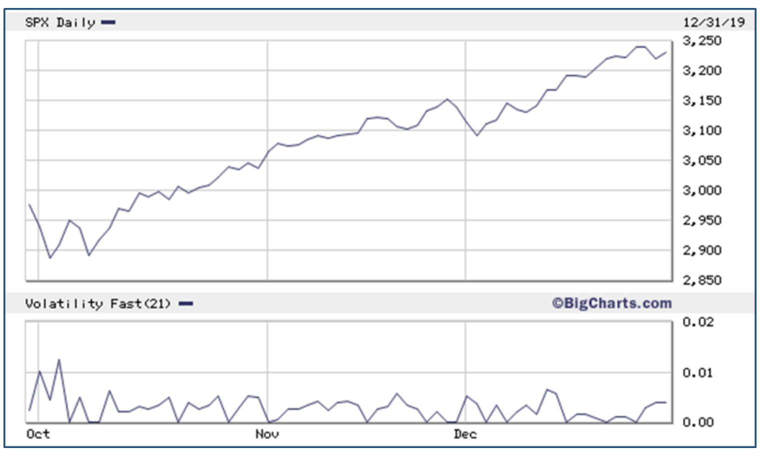
*A Quarterly Market Update* *December 31, 2019*

## Quarterly Recap:

It would be difficult to imagine a better ending to the year than what we experienced. Despite a year plagued by tremendous uncertainty, turmoil, and negative news, the financial markets managed to thrive. Stock market indices climbed as investors bet that a cease fire in the trade war had promise. Bond traders saw a yield curve that began to normalize and were re-assured that the Fed will largely be on the sidelines for the foreseeable future. In general, many gravitated to the notion that the "worst case scenario" was not happening anytime soon.

## Quarter Ending December 31, 2019

| Equity Indexes | Close | % Change |
|---|---|---|
| DJIA | 28538.44 | 6.0% |
| S&P 500 | 3230.78 | 8.5% |
| NASDAQ | 8972.60 | 12.2% |
| **Treasuries** | **Close** | **Change** |
| 10-Year Yield | 1.92% | 0.24 |
| 2-Year Yield | 1.58% | -0.05 |

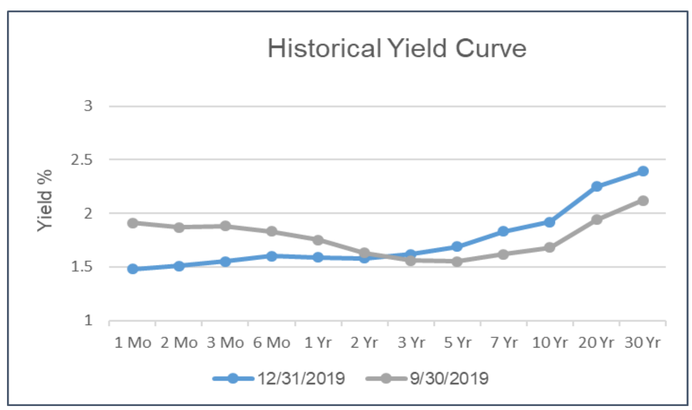



## The Stock Market:

The chart to the left, says it all...we had a Santa Claus rally in 2019. Stocks marched higher during the last months of the year with few pauses. While such a rally is enjoyable, one must also ask whether it is sustainable or what it indicates. It is possible to fall into the trap of FOMO (fear of missing out), becoming more aggressive just as market sentiment reverses. It is also easy to become overly pessimistic, fearing that rising valuations always leads to falling market prices. For us, managing assets is about balancing both the good and bad possibilities.

## The Bond Market:

To the surprise of many, 2019 was a solid year for the bond market. For many months, the concern was that the flat yield curve would actually invert, widely feared as a precursor to an economic slowdown. The yield curve did actually invert, yet in the end, the real story was the sharp decline in interest rates across all maturities. This drop in rates forced bond prices higher, leading to very favorable returns. While we do not see rates rising significantly, bond investors face headwinds contending with low yields and concern that debt issuance has been excessive.




## Looking Ahead:

At this time last year, many were licking their wounds following a brutal 2018. For those who weathered the storm and maintained a disciplined approach, there is now cause for celebration. However, we often remind ourselves that investment trends change quickly and often without warning or explanation. We intend to maintain our focus on fundamentals and valuation and resist the temptation of being led by either greed or fear.