

Investment Insights

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Our Philosophy A broadly diversified portfolio gives our clients the best chance to achieve their goals while taking as little risk as possible. However, there are fundamental economic realities that warrant consideration as we construct and modify portfolios.

Assumptions & Outlook

- The Federal Reserve reduced rates three times in 2020 for a total of a 0.75% reduction.
- The U.S. economic recovery continues at a moderate pace. We are seeing a slowdown in China & many parts of Europe.
- As of December 2019, our Circuit Breaker is showing a "Normal" sign, with the closing Index value = 10.0% above the "Underweight" indicator.
- U.S. economy is experiencing consistent economic growth with many positive signs: i.e. low inflation, low unemployment, low oil prices, low interest rates, etc. However, it appears that we are late in the economic cycle.
- The deadline for BREXIT has been pushed back to 12/31/2020 with Great Britain continuing to request extensions.
- Trade negotiations with China continue & have stabilized for the time being.
- The U.S. federal, state and local governments continue to struggle with a burdensome public debt and massive unfunded future liabilities (i.e. Social Security, Medicare, retiree pensions, etc.).
- Economic growth combined with tight labor markets may provide upward pressure on inflation; although we have not seen it yet.
- 2019 was an excellent year for most asset classes.
- The longer term valuation metrics for both stocks and bonds are currently at very expensive levels, and as a result, future returns are projected to be below historic averages.

Portfolio Implications

- We have returned to an abnormal investment environment with low interest rates and high stock market valuations.
- Our investment policy provides the framework and discipline for making investment decisions. We continue to invest globally, in both stocks and bonds.
- High quality bonds provide near-term protection during a "flight to quality", but they have delivered below average returns over the long-term.
- We continue to review, and stress test, our bond portfolios for sensitivity to rising interest rates, global diversity and potential "flight to quality" performance.
- We will continue to review cash holdings to make certain they are allocated appropriately.

As always, thank you for your trust and confidence.



INDEPENDENT WEALTH MANAGEMENT

Jay Berger, CFP®
jay.berger@iwmusa.com

Steve Fisher, CFP®
steve.fisher@iwmusa.com

Scott Hackney, CFP®
scott.hackney@iwmusa.com

236 1/2 East Front Street
Traverse City, Michigan 49684
231 929 1086 tel
888 929 1086 toll free
231 346 5959 fax
www.iwmusa.com

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