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MARKET UPDATE AND OUTLOOK

The Markets – 4Q and Full Year 2019 Review & Outlook (as of market close December 31, 2019)

Index	4Q19%	FY19%	Market Recap	Our Thoughts
Dow Jones Ind Avg TR*	+6.67%	+25.34%	*Both US and International stocks posted double-digit returns for 2019 fueled by low interest rates and hopes that US-China trade relations would improve. Technology stocks led (+47.69%) while Energy stocks lagged (+9.40%).*	*Equities continued their historic bull run in 2019 but remain expensive on a Price/Earnings basis. Should the economy continue to slow, earnings could come under pressure leading to lower stock prices.*
S&P 500 TR*	+9.07%	+31.49%		
Nasdaq PR*	+12.47%	+36.69%		
MSCI EAFE NR*	+8.17%	+22.01%	*Developed and Emerging Market stocks posted double-digit returns as investors remained optimistic that trade tensions would ease.*	*Consider a diversified international equity mutual fund or invest in the stocks of US based multinational corporations.*
MSCI EM PR*	+11.84%	+18.42%		
Barclays US Agg TR*	+0.18%	+8.72%	*More conservative corporate and government bonds posted single digit returns for the year but underperformed high-yield bonds as investors searched for more attractive coupons.*	*Focus on quality, short-term and intermediate-term bonds, ladder maturities or use a diversified bond mutual fund for liquidity.*
Barclays US Govt TR*	-0.77%	+6.83%		
ICE BofAML US HY TR*	+2.59%	+14.40%		
10 Year Treasury Note Yld**	+28 bps *1bp = 1/100th of 1%*	-70 bps	*The 10-Year Treasury declined 70 bps during the year reflecting expectations that the Fed may not raise rates anytime soon.*	*The Fed indicated at its December meeting that it will hold steady with rates into 2021.*
Gold**	+2.29%	+18.60%	*Gold finished up strong for the year, increasing 18.60% as geopolitical tensions weighed on currencies.*	*The price of gold has historically risen with expectations of higher inflation, higher interest rates, and as a flight to safety.*

Stock Prices Reflect Optimism for Growth. Bond Yields Reflect A Slowdown.

The double-digit equity returns during 2019 were largely driven by lower interest rates instead of actual organic growth in sales and profits. While improving US-China trade relations could contribute to a rebound in the economy, continued geopolitical tensions may slow progress. In addition, the Federal Reserve forecast at its December meeting that it will hold interest rates steady into 2021. This could slow the pace of stock buybacks which significantly contributed to stock price increases in recent years. Lastly, any uncertainties surrounding the outcome of the U.S. Presidential election could lead to additional stock market volatility as investors try to determine what impact, if any, a change in administration would have on economic policy. As such, stocks remain vulnerable to a pullback should signs of slower growth or continued trade tensions weigh on corporate performance. Attractive dividend yields compared to bonds have caused investors to favor equities over bonds providing some support for stock prices. However, dividends are not guaranteed and can be reduced or eliminated at a company's discretion should business conditions weaken. The Wealth Management Group continues to remain selective regarding equities with a focus on high quality, dividend paying companies. Fixed income exposure continues to focus on shorter maturity, high quality issues complemented by low-cost fixed income mutual funds for better liquidity where appropriate.

A New Year. A New Decade. Do You Need to Adjust Your Plan?

CNB's Wealth Management Group recommends that clients review portfolios at least once a year to make sure that investment allocations across equity, fixed income, and cash remain in line with risk tolerance, investment objectives, tax circumstances and time horizon for investing. In general, the longer the time horizon to your retirement, the greater the mix of equities in your portfolio. Equities provide the opportunity for growth to offset inflation but are generally considered riskier than bonds. As you get closer to retirement, the focus should be less on growth and more on income and capital preservation. Please contact a member of the Wealth Management Group for a scheduled review and recommendation.

*Morningstar.com as of 12/31/2019, TR = Total Return and takes into consideration dividends and interest, PR = Price Return only
**Marketwatch.com as of 12/31/2019, *In general, bond prices move in the opposite direction of bond yields*