the WealthWATCH℠

LINEWEAVER WealthWATCH™ CENTER

Market Outlook 2020

by Jerry Herman, CFA®

What a difference a year makes! A year ago, the market was coming off a 20% correction in the fourth quarter reflecting prevailing headwinds of rising interest rates, escalating global trade tensions between the U.S. and China, uncertainty on Brexit, and growing concerns of slowing global growth. Today conditions have calmed. Central banks around the world are dovish, including in the U.S., where the Fed moved to make mid-cycle adjustments in the midst of uncertainty and raised chances of extending the cycle. Likewise, around the world central banks seem accommodative, with negative interest rates prevailing in several key countries around the globe. The U.S. and China have apparently reached a Phase I trade deal, and while the situation is tenuous and hurdles remain in the areas of intellectual property, the leaders of both countries seem to be more motivated to move toward more substantial agreements into 2020. With this backdrop, conditions appear favorable for economic growth in 2020.

This was also a solid year for investors. The S&P 500 was up 28.9%, its strongest year since 2013 and well above the 10% historical average. The U.S. Bond market also recorded a very solid performance with the U.S. Bond Index (Bloomberg Barclays US Aggregate Bond Index) up 8.67%, its strongest showing since 2002. The 60% stock/40% bond portfolio generated its highest returns in almost 20 years. The U.S. market was a leader in 2019, but equity markets in key geographic regions were all up with Developed Markets (MSCI World ex-U.S.) up 23% and Emerging Markets (MSCI Emerging Markets) up 19%.

Looking into 2020, the presidential election and perhaps impeachment proceedings will be in the headlines. Statistically, presidential election years are favorable. According to Morningstar/Ibbotson, since 1928 the S&P 500 has climbed 11.3%, on average, during presidential election years and in 19 out of 23 years the markets posted positive results.

With this constructive backdrop, global growth is likely to edge higher in 2020, reducing risks of recession. This creates a more favorable environment for equities, and generally a positive stock market outlook. But, 2019 will certainly be difficult to repeat for both equities and fixed income. While the equity and fixed income markets benefitted from declining rates in 2019, the dovish pivot by central banks appears to be over, so earnings growth may need to carry the market from here. Moreover, trade tension could re-escalate, impacting global growth expectations. Fixed income yields and dividend yields on stocks are near lower bounds, making income opportunities elusive. Another risk could be that growth flattens and inflation rises. This could impact the negative correlation between stocks and bonds returns over time.

In one way 2020 will be no different than most years – it will undoubtedly include some unforeseen events or issues. So, like all good New Years' resolutions now is a good time to re-evaluate your financial goals, volatility and risk tolerance, and time horizon. Investors who are patient, disciplined, and consistently reassess their long term plans tend to have the greatest success.

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LINEWEAVER FINANCIAL GROUP

LETTER FROM THE PRESIDENT

by Jim Lineweaver, CFP®, AIF® President and Founder

Looking Forward to Giving Back

As most of you know, we have partnered with Harvest for Hunger since 2012, collecting food for the Cleveland Foodbank. Since partnering with Harvest for Hunger and the Cleveland Food bank in 2012, the food collected at our *Wealth*WATCH℠ programs, client appreciation, and other events has provided more than 43,000 meals to those in need. A special thanks to all our clients, staff, and friends who have helped us reach this amazing milestone!

We also had the unique opportunity to partner with and support Ben Curtis, 2003 British Open Champion, and his foundation. The Ben Curtis Foundation works exclusively with children in need in Kent, Ravenna, and Barberton. One in five children struggle with hunger, and Ben and his foundation are able to help more than 2,440 children in our own backyard.

This fall, we had the chance to work with and support former Cleveland Browns Coach Sam Rutigliano and his Inner Circle Foundation. Coach Sam's Foundation, a member of the International Literacy Association, shared research with us that shows that 1 in 6 kids who don't read at their age level by the 3rd grade will not graduate from high school. Their programs focus on children attending the Cleveland Schools who are struggling, and aim to help them bridge the gap from "learning to read," to "reading to learn."

Finally, we had the opportunity to support Mark Tripodi and his Cornerstone of Hope Foundation. After a difficult personal tragedy, Mark and his family founded Cornerstone of Hope to help grieving families after the loss of a loved one.

We'd like to thank all of these causes for letting us be a part of their mission. It's humbling to see the good work they're doing, and to be able to be a small part of it.

"There are far, far, better things ahead than any we leave behind"
~C.S. Lewis

Thanks to everyone who joined us at our client appreciation event with special guest speaker and author Matt Crisci. Matt is the author of more than 12 books, and gave a great talk about his novel *Call Sign, White Lily* based on the true story of Lilya Litvyak, the world's first female fighter pilot. The novel is also being made into a feature film! If you're interested in learning more about Matt, his books, or the film, you can visit him online at mgcrisci.com.

The New SECURE Act: 2020

We know that many people enjoy the HealthWatch segments, and don't worry, they'll be back next quarter. This quarter, however, we have a unique opportunity to update you about the SECURE Act, which stands for 'Setting Every Community Up for Retirement Enhancement,' and was signed into law by President Trump on December 20th.

There are 29 provisions to the new law, but here are the top five, which we think are most likely to affect our clients and friends.

1. The Act changes the age for Required Minimum Distributions from 70½ to 72, which will allow additional time for IRAs to grow.

2. It allows contributions to traditional IRAs after age 70½, which will help people who want to work longer to continue to contribute to their IRA. Coupled with number one, these can both help you grow your money for longer.

3. The Act also allows for expanded benefits for part-time employees, and means that long-term part-time employees may now be eligible for employer qualified plans like 401(k) plans.

4. It also allows 529 plans to be used to pay off student debt – up to $10,000 per beneficiary.

5. In most instances, it eliminates so called 'stretch' IRAs with non-spouse beneficiaries like kids and grandkids. In the past, it was possible to stretch an IRA out over the lifetime of the recipient. Now, in most cases, it can only be stretched out over 10 years, but there are some exceptions.

These are just 5 of the provisions in the new law, most of which take affect for tax year 2020 or later. But, as you can see, they will affect most of us in some way. As you meet with your advisor in the coming year, we'll be talking to you further about this new and important piece of legislation, and working hand in hand with you to make the most of these new provisions.

source: https://www.forbes.com/sites/leonlabrecque/2019/12/21/the-secure-act-and-your-401k--ira-5-things-you-need-to-know-right-now/#a572d402ebb2

ECONOMIC COMMENTARY

Winter 2020

Pressure Drop

Our reference to the classic Toots and the Maytals song comes as we see a de-escalation in trade tensions with China, diminishing risks of a no-deal Brexit and few signs that the record U.S. economic expansion is ending or reversing. Still, persistent trade uncertainty is denting business confidence and spending, particularly the longer-term risk of an unravelling of the global supply chain. Our take on the major investor themes for the weeks ahead:

U.S. Equities: Sector Steering

Defensive sectors have outperformed cyclicals this year against a backdrop of slowing growth and falling interest rates. However, we expect central bank easing could provide a floor for growth in the coming months. Among cyclicals, we remain constructive on technology, while we prefer less rate-sensitive sectors.

Developed Markets:

Winter of our discontent? Trade uncertainties and slowing growth have taken a toll on developed world stocks outside the United States. But not all DMs are created equal, and there are signs that the global growth slowdown has hit bottom, while central bank easing could help.

Emerging Markets: China's Mixed Outlook

A temporary trade truce with the United States provided some optimism around China over the last month. However, China's growth slowdown has become more pronounced.

Fixed Income: Seeking Defense In Credit

U.S. government bond yields have responded to geopolitical risks over the past few months both ways, which underscores bonds' important role as a diversifier. Meanwhile, investment grade credit continues to lead sectoral performance, supported by easing financial conditions, a still-growing domestic backdrop and investors seeking high-quality yield.

Factors: Value, the Comeback King?

We remain in an unfavorable environment for value, given slower growth and the return of "lower-for-longer" interest rates. Still, our outlook for value has improved and now stands at a neutral position as relative valuations appear quite cheap. Our outlooks for minimum volatility and quality have similarly improved.

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EMPLOYEE SPOTLIGHT

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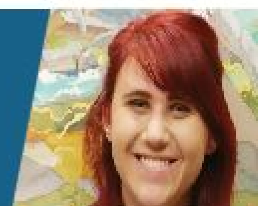

Jenna has been with the firm since graduating from Normandy High School in 2015. At the end of 2019, she graduated from Cleveland State University with a major in Communications. She is now joining us full time as the new Marketing Assistant, and will help with client emails and communications, as well as other programs and publications.

Jenna lives in Broadview Heights with her fiancé and their two cats, one of which is deaf. When she is not at work you can find her reading a romance or mystery novel, playing piano or swimming at her local rec center.

TRIVIA

Did you know that Sherlock Holmes birthday is January 6, 1854, which would make him 166 years old! He is also the most protrayed literary character in either film or tv according to the Guinness Book of World Records, having appeared on screen a total of 254 times.

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