

### A Special Thank You ... to You!

In our years as a firm, you are the most solid, steady, well informed, responsive, and caring group with



whom we have worked. We acknowledge you, thank you, and extend our sincere gratitude and appreciation to you. Yes, we are blown away by you.

### Will the Upcoming Election Tank the Stock Market?

In short, probably not. The chief reason is that the US economy is strong. However, we will likely experience periods of increased volatility, or market swings.

Main Street and Wall Street know that Washington makes noise and postures. Our nation's daily life and operations change little from one administration to the next. As they are today and since time immemorial, Social Security and Medicare have been the perennial big ticket items on the budget. So kick back, enjoy the political fireworks, look for significant *actual* shifts in policy, but pay the most attention to the economy.

### What Does the SECURE Act Mean for Me?

The SECURE Act, signed at year end, affects IRA and 401K account holders. As long as you have earned income, there is

### An Updated Name and a Fresh Look

It's a New Year, and Fortress has a new look with an updated name, logo, and website. However, our larger mission to serve you remains unchanged. The name Fortress Financial Solutions more fully reflects the many ways we can serve you, and amplify your financial strength.

### Our Continued Mission

We appreciate your trust and the opportunity to work with you. Our goal is to provide you with direction and confidence to help you increase your financial well-being and peace of mind. We are committed to your success. Our entire team is here to help you—from catching up with you, to talking about the markets, to answering questions. Feel free to reach out to us—we look forward to connecting with you.

### In Economic News

The US economy has been on a tear—it has now grown a record 128 consecutive months. In November 2019, the Bureau of Labor Statistics reported a payroll employment increase of 83,000, and a rock bottom unemployment rate of 3.5%. For the 4<sup>th</sup> quarter, the Bureau of Economic Analysis anticipates that US Gross Domestic Product (GDP) will come in near 2.0%, and around 2.3% for calendar year 2019. For 2019, Kiplinger anticipates business capital spending and consumer retail spending will show 2% growth. In the 4<sup>th</sup> quarter, initial public offering (IPO) activity and merger and acquisition (M&A) eased according to FactSet.

The housing market posted strong results. Joel Kan, Mortgage Bankers' Association's (MBA) Associate Vice President of Economic and Industry Forecasting, noted in the Builder Application Survey that, "Applications for new home purchases continue to outperform last year's pace, and November was no different. Activity last month was 27 percent higher than November 2018."

Global economies grew modestly in the 4<sup>th</sup> quarter, despite a downward revision to the global economic growth outlook, due in large part to the uncertainty regarding trade wars and an uptick in global political unrest.

### What Happened In The Markets?

The markets moved up strongly during the 4<sup>th</sup> quarter, with the Dow Jones Industrial up 7.1%, the S&P 500 positive 9.8%, the NASDAQ climbing 13.7%, and the aggregate bond market down 0.8%. For the calendar year 2019, the Dow Jones Industrial advanced 22%, the S&P 500 28.5%, the NASDAQ 37%, and the aggregate bond market climbed 5.5%. Given a blend of stocks and bonds particular to you, your portfolio likely grew in value over the year.

Ten out of eleven sectors of the market moved up. Information technology, health care, financials, communication services, industrials, and energy led the way with 10%+ growth in Q4. Consumer discretionary, materials, consumer

now no age limit for contributing to your IRA. IRA contribution limits increased to \$6,500, with the catch up provision permitting workers age 50 and up to add another \$1,000. The required minimum distribution (RMD) age increased to 72. Contribution limits for 401Ks rose to \$19,500, with the catch up provision allowing workers age 50 and up to stack \$6,500 more on top. "Stretch" IRAs got discontinued, and now those who inherit IRAs must take the full amount within 10 years. Call us to see how these updates may affect you.

### Industry Updates

Schwab led the industry again by reducing most trading commissions to zero! Fidelity and some others followed suit, with the rest left concerned about losing market share. This is good for you because with virtually no trading fees and extremely low cost exchange traded funds, you can now invest in quality for almost free. As your fiduciary, we say hooray for you!

### Schwab Acquired TD Ameritrade

Schwab bought TD Ameritrade, and soon TD Ameritrade will cease operations. It is not clear how or when TD Ameritrade accounts will become Schwab accounts. Pre-emptively, many TD Ameritrade clients are moving to Schwab now to bypass the disquiet which accompanies such changeovers. If you have TD Ameritrade accounts, let us help you switch to Schwab. It'll spare you the trouble that transitions can bring. We're here to serve you, and we're glad to do it.

staples advanced as well. Utilities were fractionally higher, and real estate fractionally lower.

S&P 500 company earnings came in mildly negative for the 4<sup>th</sup> consecutive quarter. FactSet reported, "For Q4 2019, the estimated earnings decline for the S&P 500 is -1.5%. If -1.5% is the actual decline for the quarter, it will mark the first time the index has reported four straight quarters of year-over-year earnings declines since Q3 2015 through Q2 2016."

FactSet stated "The forward P/E ratio for the S&P 500 (a relative measure of value of stocks) is 18.3. This P/E ratio is above the 5-year average (16.7) and above the 10-year average (14.9)." This indicates that stocks are "somewhat overvalued" at the moment, and we will continue to watch this closely.

The bond market quietly declined as the 10-year treasury interest rates crept higher, supporting a positive economic outlook. The Federal Reserve (Fed) held to its "data dependent," and "dovish" or market-friendly, postures.

### The Crystal Ball – Our Economic and Financial Markets Outlook

**US Economic Outlook:** As consumers, we are the primary driver of the US economy, and we spent at a healthy clip through the holiday shopping season. In 2020, Kiplinger projects business capital spending will grow 1.8%, and consumer retail spending will be up 2.0%. We expect the economy to stay positive for the moment, and company earnings to return to positive numbers.

**US Financial Market Outlook:** We are monitoring whether the markets will climb higher, or whether pessimism will lead the markets lower. Given the markets' present overall upward trend, we remain optimistic, yet with caution.

**US Interest Rate Outlook:** The bond market appears relatively neutral. While the Fed stated its willingness to cut interest rates again if needed, it is showing little enthusiasm for doing so. Keep in mind that when interest rates rise, bond values fall, and vice versa.

**World Economic Outlook:** According to the World Bank, 2020 is expected to bring global economic growth of 2.7%, and 2.8% in 2021. In advanced economies, it forecasts 1.7% growth in 2020, and 1.5% in 2021, and 4.0% in emerging and developing economies in 2020, and 4.6% in 2021. We are keeping tabs on the apparently resolving trade war and increased geopolitical volatility to see what impact they may have upon the growing global economy.

**Foreign Markets Outlook:** Continued foreign investment will fuel an expansion of emerging and developing markets. The US dollar strengthened this quarter; consequently, US goods and services cost more for foreign purchasers.

**Opportunities Going Forward:** For income, we favor money markets, fixed- and floating-rate preferreds, and investment grade bonds. We see growth potential in technology, communication services, and defense equity sectors.

Sincerely,



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