THE YEAR THAT WAS – A WALL OF WORRY

2019 could well be the poster boy for the old **Wall Street proverb** that the stock markets "**climb a wall of worry"** to march onto higher and higher prices.

After the worldwide fall in shares in December 2018, resulting in many global stock market indices ending with double digit declines for the year (our TSX down over 11%), investors were understandably nervous entering 2019. And although the year began with a strong up move, as the year progressed the worries seemed to escalate. They have all been well documented in the financial news (and by me in my weekly missives) but to highlight a few major ones:

1. US and China trade tariffs and associated inflammatory tweets and speeches
2. Concerns over Global growth – in part exacerbated by number 1
3. Brexit
4. Europe beset by political turmoil and elections resulting in strong populist moves to the extreme left or right
5. The "inverted yield curve " in the US – historically a forerunner of a recession
6. Collapsing oil prices in conjunction with escalating Middle East tension
7. Slowing manufacturing output in the USA and in all developed global markets
8. Hong Kong
9. Possibility of an American President impeachment AND looming elections

I could go on, but suffice to say stock markets ignored it all and, albeit with some days of extreme volatility, moved steadily higher. However, with all the above issues and numerous other concerns if equities instead had <u>a big down year</u> – everyone no doubt would be commenting "*I am not at all surprised"*

And that is the challenge - we only know <u>in hindsight</u> whether the "wall of worry" is one which the market cheerful ignores or instead is an unscalable one leading to a year of declines.

<u>But enough of 2019 – what lies ahead for 2020?</u>

Many of the above ***worries*** still remain, along with newly heightened tension between the USA and Iran. Yet the USA economy remains buoyant, many European economies seem to be slowly improving and <u>very important</u> central banks appear determined to keep interest rates low and <u>if necessary lower them even more.</u>

A study of the research of investment firms and independent strategists shows the consensus is for another UP year, with American markets predicated to have returns below 10%, offshore markets led by the UK and Europe will do the best, with gains in the low double digits. *However, we must all remember that past track records tend to show that economists are there, of course, to make weathermen look good!!*

So *<u>our stance</u>* is the preservation of your wealth must always come first! We will continue to use **the proven** (and constantly fine-tuned) process we have in the past. Portfolios should be well diversified to include non-North America, with a healthy mix of quality dividends and a mindful exposure to the long term trends-think technology, *E*-Commerce and Millennials. We will add appropriate cash or fixed income to reduce volatility.

We do think stock markets will head higher this year, BUT we will not hesitate to change our minds and be even more defensive should the economic or political facts change for the worst.