



Monthly Market Review

U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), increased 3.01% in December with an uptick in manufacturing and service sector business surveys, a resilient jobs market, and an improved trade outlook.
- Sector performance within the S&P during the month of December was positive in 10 of 11 sectors. Energy (6.03%) performed best as oil prices rebounded and investors began to favor value stocks. Industrials were the worst performers, returning -0.09% on weak, albeit improving, manufacturing data.
- By market capitalization, small-caps (Russell 2000 Index) and large-caps (Russell 1000) returned 2.88% each, followed by mid-caps (Russell Mid Cap Index), returning 2.28%. Growth stocks outperformed value stocks across a large-caps, but that trend reversed across mid- and small-caps.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month up 4.33%, as global trade uncertainty diminished and economic data recovered. Developed markets, represented by the MSCI EAFE Index, rose 3.25%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, rose 7.46%.
- Within the ACWI ex-U.S. Index, all sectors posted positive returns. Information Technology performed best, returning 6.91%. Materials followed, returning 6.16%. Consumer Staples were the worst performers, returning 2.19%, followed by Industrials with a return of 2.81%.
- Within the ACWI ex-U.S. index, EM Latin America posted strong performance, returning 10.33%. EM Asia and EM Europe, Middle East and Africa followed with returns of 7.11% and 7.05%, respectively. Japan was the worst performing region for the month, returning 2.09%, followed by Pacific ex Japan with 2.48% and Canada with 2.59%.

Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index (Aggregate) returned -0.07% as demand for U.S. treasuries fell in favor of riskier assets.
- Investment grade (IG) credit within the Aggregate returned 0.29%. Within the IG credit spectrum, AAA-rated bonds returned -0.08%, AA-rated bonds returned -0.22%, A-rated bonds returned 0.05%, and BBB-rated bonds returned 0.63%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 2.00%.
- Yields fell on the short end of the U.S. Treasury yield curve in December, and rose on the long end. Three-month treasuries fell three basis points (bps), while the 30-year rose 18 bps.

Alternatives and Other Asset Classes

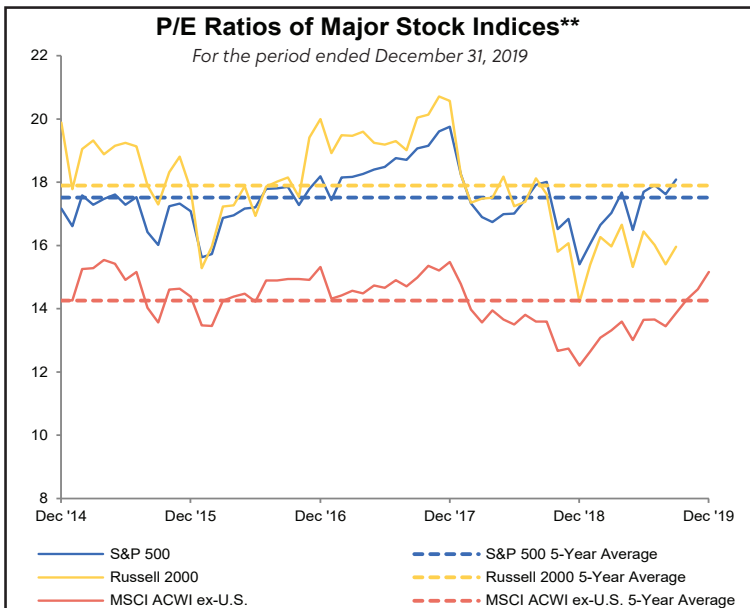
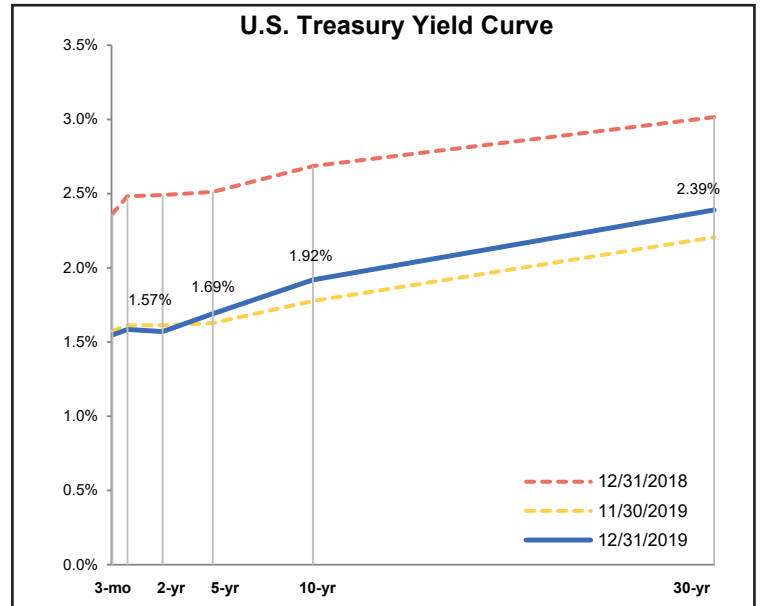
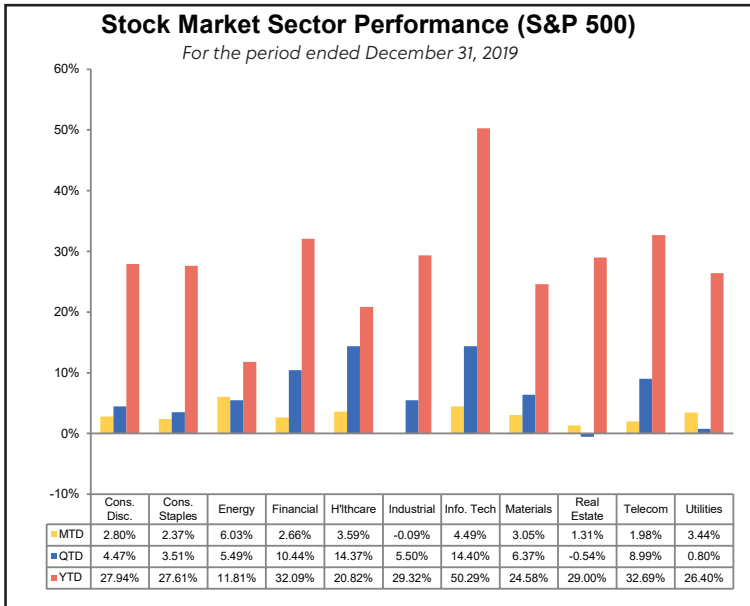
- Real estate investment trusts (REITs), represented by FTSE NAREIT Index, returned -0.60%. Returns were positive in four of nine real estate sectors. Lodging/Resorts REITs were the strongest performers, returning 5.20%. The worst performing REIT of the month was Residential, which had a return of -3.37%.
- The active contract for West Texas Intermediate (WTI) crude rose to \$61.06/barrel in December from \$55.17/barrel in November, in anticipation of increased demand amid an improving global trade outlook.

Items to Watch

- The U.S. and China agreed to “Phase 1” of a trade deal in December, and the two sides plan to sign the agreement in Washington in mid-January. The deal was made just before additional tariffs were due to take effect on Chinese imports on December 15. The agreement reduces tariffs on both Chinese and American goods, increases the amount of agricultural purchases China will make, and includes commitments from China on intellectual property security.
- The U.S., Mexico and Canada Agreement (USMCA) was ratified in the House of Representatives after gaining overwhelming bipartisan support. Initial concerns from Democrats on environmental protections and labor provisions were addressed by the White House, and the deal is ready for a vote in the Senate. The deal replaces the North American Free Trade Agreement (NAFTA) and includes improved labor laws, country of origin rules and improvements for U.S. farmers, among other changes.
- Brexit continues apace as conservatives claimed a large majority in the UK Parliament after general elections were held in December. Prime Minister Boris Johnson wasted no time committing to an exit from the European Union (EU) by January 31, and vowed to abstain from an extension of the standstill period – an attempt to ensure that the UK will have a complete withdrawal by the end of 2020. A comprehensive trade deal with the EU will be more difficult to negotiate in such rushed circumstances, but the results of the general election have led to greater certainty around Brexit.
- Tensions are rising in the Middle East after a U.S. drone strike killed a top Iranian General. Oil prices rose at the possibility of a disruption in the region’s oil supply, but markets generally held steady after an initial decline following the news of the strike. Both sides have backed away from further escalation after a measured retaliation by Iran.

Total Return of Major Indices as of 12/31/19				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	3.01%	9.06%	31.48%	31.48%
Russell 3000	2.88%	9.09%	31.01%	31.01%
Russell 2000	2.88%	9.93%	25.49%	25.49%
Russell 1000	2.88%	9.03%	31.42%	31.42%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	4.33%	8.92%	21.51%	21.51%
MSCI EAFE	3.25%	8.17%	22.01%	22.01%
MSCI Emerging Markets	7.46%	11.84%	18.42%	18.42%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-0.07%	0.18%	8.72%	8.72%
Bloomberg Barclays Global Agg	0.58%	0.49%	6.84%	6.84%
Bloomberg Barclays U.S. HY	2.00%	2.61%	14.32%	14.32%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	-0.60%	-0.76%	26.00%	26.00%
Bloomberg Commodity	4.90%	4.00%	5.44%	5.44%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	3.5%	3.6%
Initial Jobless Claims (4 week average)	233.3 K	228.5 K
CB Leading Economic Indicators	0.0	-0.2
Capacity Utilization	77.3%	76.6%
GDP (annual growth rate)	2.1%	2.0%
University of Michigan Consumer Confidence	99.3	96.8
New Home Starts	719 K	710 K
Existing Home Sales	5.4 MM	5.4 MM
Retail Sales (YoY)	3.0%	2.8%
U.S. Durable Goods (MoM)	-2.0%	0.2%
Consumer Price Index (YoY)	2.1%	1.8%
Producer Price Index (MoM)	0.5%	0.8%
Developed International*	9/30/2019	6/30/2019
Market GDP (annual rate)	1.3%	1.2%
Market Unemployment	4.5%	4.5%



Source: Bloomberg. Data as of December 31, 2019, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. index. Most current data is as of September 30, 2019 due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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