BENJAMIN F. EDWARDS® & CO.
INVESTMENTS *for* GENERATIONS®

FINANCIAL PERSPECTIVES

Winter 2019

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The Markets *in Transition* TO THE NEW DECADE

Y2K + 20

As we close out the second decade of the 21st Century—does it not seem like just yesterday we were preparing for the unknowns of Y2K? Just like 20 years ago, uncertainties abound for the U.S. economy and the markets in 2020. Many of the variables that impacted the markets in 2019 are likely to continue and a few new question marks are likely to arise.

2019 in Review	2020 Concerns/Initial Expectations
Federal Reserve Chair Jerome Powell stressed on numerous occasions the Fed remains committed to react to any economic slowdown. As data remained mixed, the Central Bank responded with three 0.25% cuts in interest rates.	Consensus among Fed members including Chair Jerome Powell is that further rate reductions should be on hold for early 2020 pending any consistent slip in economic strength.
Real Gross Domestic Product began the year at 3.1% growth during the First Quarter, came in at a lower 2.0% in the Second Quarter and the preliminary estimate for the Third Quarter was 1.9%, up from the prior consensus expectation of 1.6% growth.	Fourth Quarter GDP may be up by just 1.1% according to consensus estimates and the full year may be up by 2.0% with 2.0% growth also estimated for 2020. Inventories and net exports may be weak spots.
The consumer was strong. Consumers continued to spend, but saved a bit more percentagewise than they spent, improving their balance sheets and financial health.	The Conference Board estimates consumer spending growth may be flat at +2.0% in 2020. This is the largest component of GDP, so lack of growth potential is a concern.
Retail sales held up through the latter part of the year, and rose 3.1% year-over-year through the end of October, although there was month to month volatility.	If employment remains steady and interest rates remain low for revolving accounts, on-line and brick and mortar sales could benefit.

Payrolls were firm. Weekly initial jobless claims remained near record lows. Job openings remained higher than the number of people in the workforce to fill them. Labor force participation was strong. The overall U.S. Unemployment Rate stayed low near 3.6%.	Some estimates peg 2020 monthly jobs growth at about 150,000 which could be down from the approximate 170,000 during 2019, particularly if the economic outlook becomes more guarded.
The housing market sent mixed signals with trend disparities among new home sales, existing home sales and pending home sales.	The Mortgage Bankers Association sees mortgage rates remaining reasonable with tight supply.
Consumer confidence was strong for most of 2019 before exhibiting some signs of deterioration during the final months.	This is perhaps one of the major variables that could impact the markets in 2020.
Factory activity slowed during the second half of the year and manufacturing officially fell into contraction territory during August.	Business spending is likely to continue to be guarded due to trade uncertainties. Any impacts on hiring could be troublesome.
Industrial production remained weak through October, dropping 0.8%, twice what was expected. Capacity utilization fell 76.7%. Non-auto manufacturing was down 0.2%.	With the auto strike over and if the "first phase" of a trade deal with China may be in the books, industrial production could improve.
Inflation remained in tow with both the October Consumer Price Index and the Producer Price Index up 0.4%. The year-over-year CPI was up 1.8% and the PPI rose 1.1%. Both remained below the Fed's 2.0% targets.	Some economists are looking for a spike in inflation to over 2.0% during the first few months of 2020 with a gradual trend downward to 2019 levels later in the year. Tighter housing and higher medical costs could impact inflation.
The Trade Deficit remained flat through the end of the third quarter. Over the last year, exports were down 1.8% while imports fell 2.8%.	Economists expect no significant increase through the first half of 2020.
Substantive progress to remediate the trade conflict between the United States and China proved to be elusive during 2019 with a lot of rhetoric flying from both sides.	Even when the "first phase" of a trade agreement is achieved, tariff and trade tensions will likely remain high throughout 2020.
Frequent talk of recession proved to be just that during 2019 as the global and domestic economies held up.	Economists do not see a specific catalyst for recession in 2020. In their 2020 budgets, Eurozone members submitted plans for new fiscal stimulus measures to the European Commission. Corporations will likely strive to keep debt manageable and there are no signs of a housing bubble.

Of course, a major variable for 2020 is the General Election and the Presidential Election. This poses significant ramifications for control in the House of Representatives and the Senate and potential policy changes as we move into 2021. Political risks have always been a major uncertainty for the markets, but it is likely to be elevated given the impeachment proceedings. Long before Tuesday, November 3, 2020 arrives, much posturing will take place between the Presidential candidates as we move through the caucuses and primaries. Healthcare, student debt, climate change, government spending and the deficit will all continue to be key themes. We will also hear more about the candidates' stance on immigration, the role of the United States on the international stage, drug costs and the opioid crisis, crime, gun control, infrastructure spending and of course wealth redistribution and taxes. All of this is on the table if there is a change in Administration and/or control in the House and Senate. Internationally, the outcome for Brexit remains an unknown.

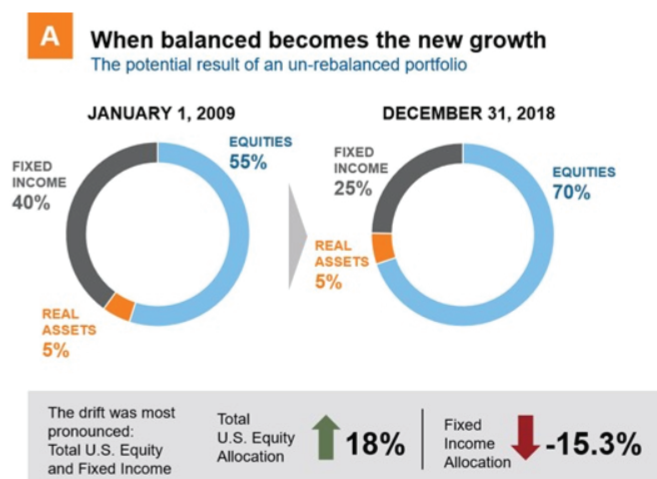
ACTION STEPS TO TAKE NOW AT THE END OF THE YEAR

"It's the most wonderful time of the year", gathering with friends and family, parties, entertaining and of course holiday shopping. Before you get caught up in the exuberance of the season, set aside 15 minutes to get prepared. The holidays will come and go, just as they do every year, but your investment planning and monitoring should never come to pass. Taking the time now to focus on your finances will leave you well-positioned to start the new decade with the peace of mind knowing you are on track to meet your objectives.

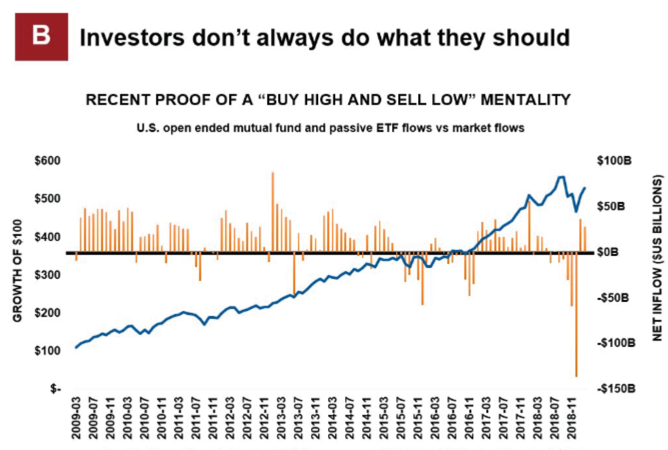
Five Tasks In 15 minutes….

1. Review your portfolio. The popular averages have made a run of 20% or more in 2019. Rebalance your portfolio to avoid unnecessary risk exposure. See exhibit A.
2. Highlight any impulse investment decisions made in 2019 that didn't meet your portfolio objective and vow to stick to the plan. See Exhibit B.
3. Check the beneficiaries listed on your accounts to ensure they are up to date.
4. Review your 2019 IRA and 401(K) contributions and increase the percentage contribution in 2020, if you haven't reached the max.
5. Schedule an appointment with your financial advisor now to ensure you stand ready and well-positioned to meet your objectives.

Setting aside 15 minutes now gives you the background to share with your financial advisor. From there, the heavy lifting is accomplished by your advisor through an integrated financial plan.



Source: Hypothetical analysis provided in the chart & table above for illustrative purposes only. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. only and based on past performance, and not a guarantee of future performance. Source for both chart & table: U.S. Large Cap Growth: Russell 1000 Growth; U.S. Large Cap Value: Russell 1000 Value; U.S. Small Cap: Russell 2000; International Developed: MSCI World ex USA; Emerging Markets Equity: MSCI EM; Global Real Estate: FTSE EPRA NAREIT Developed: Fixed Income: Bloomberg Barclays U.S. Aggregate Bond.



Data shown is historical and not an indicator of future results. Sources: Monthly mutual fund, passive ETF flows and Russell 3000® Index, Morningstar, Direct. Data as of February 28th, 2019. Index performance is not indicative of the performance of any specific investment. Indexes are not managed and may not be invested in directly.

Get a Copy of Our Year-End Tax Guide

As year two of living with the Tax Cuts and Jobs Act comes to a close, the waters are pretty calm in the tax planning world. Unlike years past, there are no significant tax law changes expected for 2020. However, 2020 is a presidential election year, so it's likely taxes will be a leading topic in the 24-hour news cycle. To help you get a head start on which issues you'll want to watch for in the year ahead, and for some tips on things you can do as we close out this year, ask about how you can receive a copy of our report, *2019 Year-End Tax Guide: Steady as She Goes.*

Cost of living adjustments (COLAs) impact a variety of tax and retirement limits each year. For 2020, the annual contribution and catch-up limits for IRAs remained unchanged, but the adjusted gross income (AGI) limits have increased for making deductible IRA contributions and non-deductible Roth IRA contributions. In addition, you may want to make note of the following:

What's Changing?	2020 Limit	Change
401(k), 403(b), 457, and Government Thrift Savings Plan Employee Salary Deferral Contribution Limit	$19,500	+ $500
Catch-up contribution limit for employees aged 50 and over participating in the above plan types	$6,500	+ $500
SIMPLE IRA Employee Salary Deferral Contribution Limit	$13,500	+ $500
Standard Deduction for Married Filing Jointly	$24,800	+ $400
Standard Deduction for Single Filers	$12,400	+ $200
Standard Deduction for Head of Household	$18,650	+ $300
Annual Gift Exclusion Limit	$15,000	No Change
Unified Estate and Gift Tax Exemption	$11,580,000	+ $180,000
Social Security Benefits		+ 1.6%

MARKET RECAP

Market Summary (As of December 1, 2019)

	YTD	Trailing 12 months	3-Year Annualized	5-Year Annualized
DJIA	23.05%	12.48%	16.32%	12.20%
Nasdaq	30.60%	18.21%	17.63%	12.58%
Russell 2000	20.46%	5.95%	7.10%	6.73%
S&P 500	27.63%	16.11%	14.88%	10.98%

Sources: Benjamin F. Edwards & Co. and Bloomberg

U. S. Stock

Performance of S&P 500

Index Price Returns for periods ended November 30, 2019

Sector	Weightings	YTD	Trailing 12 months	5-Year Annualized
Info. Technology	22.3%	43.83%	31.66%	18.74%
Health Care	14.0%	16.64%	6.59%	9.25%
Financials	13.0%	28.67%	14.16%	10.98%
Comm Services	10.4%	30.12%	20.63%	6.14%
Cons Discretionary	10.0%	24.45%	14.03%	12.71%
Industrials	9.2%	29.44%	15.59%	9.46%
Cons Staples	7.4%	24.66%	13.30%	7.58%
Energy	4.3%	5.46%	-7.90%	-2.9%
Utilities	3.5%	22.15%	17.23%	10.30%
Real Estate	3.1%	27.34%	17.91%	8.55%
Materials	2.7%	20.89%	12.55%	6.28%

Ranked by highest to lowest index weightings
Weightings may not equal 100 due to rounding
Source: S&P®

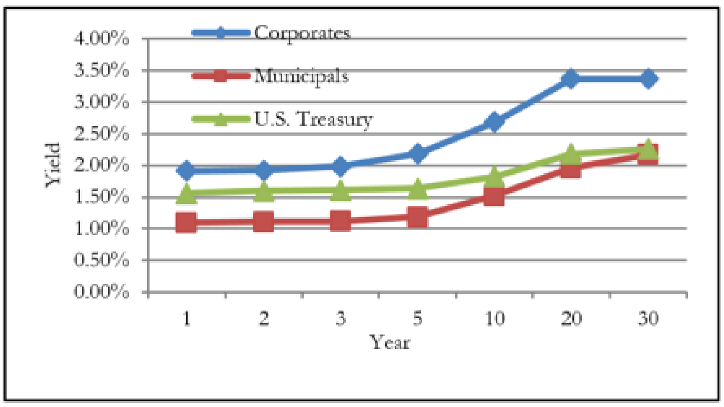
	U.S. Tresury Yields
Two-year	1.60%
Five-year	1.64%
10-year	1.82%
30-year	2.26%

Sources: Bloomberg (as of December 2, 2019)

Securities Research

- Third-quarter corporate earnings came in better than expected, primarily due to significantly lowered expectations. More cautionary outlook commentary posted earlier in the year proved to be conservative and investors, as well as the markets, were pleased. Many analysts looked for a sharp drop in earnings as commentary abounded that we could be moving into a global economic slowdown. According to consensus figures, earnings for the third-quarter could be down about -2.0%, while revenues could be up more than 4.0%. The spread between the percentage of companies that beat earnings estimates and those exceeding revenue estimates remained near historical norms. If the "first phase" of a trade truce with China can be achieved over the next few months, corporate officials may become less fearful of a protracted trade war and concerns about possible impacts on corporate earnings. While it is early to have firm consensus estimates, preliminary data show about 4%-6% EPS growth for 2020.
- Market volatility is likely to be high as we move from year end and into 2020. Several of the major contributors may make the news on a regular basis, namely tariffs and trade, interest rates and the likelihood of recession. During the first half of 2019, recessionary fears were high as the yield curve inverted and much emphasis was placed on this as a recession predictor, while at the same time, some sources downplayed the importance of this inversion. Publicly-displayed tension between the Presidential Administration and the Federal Reserve is likely to continue to worry investors.

Fixed Income Yield Curves
As of December 1, 2019



Sources: Bloomberg, Bloomberg US Corporate (A) Fair Value Index, Thomson Reuters MMD/TM3

Fixed Income

- The Treasury yield curve has become steeper over the last quarter due to the easing/reduction of short-term interest rates by the Federal Reserve Open Market Committee. The 1-year bond maturity is 18 basis points lower over the last quarter, down to 1.56%, and those yields continue to stay quite flat only increasing 8 bps to 1.64% in the 5 year maturity. The yield curve stays positive/upward sloping out to the 30-year maturity, which is yielding 2.26%.
- The Municipal bond market has also seen a slight steepening of the yield curve. That adjustment is tied to the Treasury move that we have seen on the long end of the curve market with the 10-year, 20-year and 30-year tenors of the Municipal market moving up 30-35 basis points over the quarter.
- The Corporate bond market follows the theme of a steepening yield curve with the short 1-year maturity lowering 9 basis points to 1.91% and the long end of the market increasing by 22 basis points to 3.36%. The spread relationship between the Treasury market has tightened slightly in the long 30-year maturity, with the Long Treasury yielding 28 basis points more quarter over quarter; the additional 6 basis point differential indicates additional demand into the corporate market investing in the higher yields.

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