

January 21, 2020

Market/Index	2016 Close	2017 Close	2018 Close	2018 Change	As of 12/31/19	2019 Change
DJIA	19,762.60	24,719.22	23,327.46	-5.63%	28,538.44	22.34%
NASDAQ	5,383.12	6,903.39	6,635.28	-3.88%	8,972.60	35.23%
S&P 500	2,238.83	2,673.61	2,506.85	-6.24%	3,230.78	28.88%
Prime Rate	3.75%	4.50%	5.50%	1.00%	4.75%	-0.75%
10-year Treasury	2.45%	2.40%	2.69%	0.29%	1.92%	-0.77%

**And What A Year It Was....** 2019 was a great year for the markets, with every major index showing appreciable gains for the year. However, we must remember that the 4<sup>th</sup> Quarter of 2018 was dismal, and therefore returns over the last 15 months returns were about average. We don't think that's the story though; it's too short sighted.



We find ourselves looking back not just at the year but the last ten years.

While not technically the end of the decade, it is the end of the teens and the last ten years have been pretty amazing. To give you some time perspective... On January 12, 2010, a 7.0 magnitude earthquake devastated Haiti, killing more than 230,000 and destroying the nation's infrastructure. On January 27, 2010, Apple Computer unveiled the iPad tablet computer. On April 20, 2010 British Petroleum's "Deepwater Horizon" offshore oil platform exploded and the ensuing oil leak would not be capped until July 15. On March 11, 2011 The Fukushima Nuclear Power Plant exploded after being hit by a tsunami. On May 2, 2011 Osama Bin Laden was killed and that same month the price of gas went over \$4.00 per gallon. It all seems like a long time ago.

Economically, the last ten years have been the strongest on record. It was the first ten year period in our history where we avoided a domestic economic recession. The S&P 500's Total Return was 257%, annual inflation was kept at a very modest 1.74% (about half of historical averages), and the interest rate on the US ten year note fell from 3.85% to 1.92%. It was a good time to be an investor in US Markets.

No one knows what the next ten years are going to bring but we are extremely optimistic at what the outcome will be. The demand for US workers is the highest it has ever been. There are currently only 0.7 job seekers for each job opening meaning there is great potential for domestic economic expansion. Computing power continues to grow, releasing human beings from having to perform mundane tasks and allowing them to create new technologies. Those new technologies have changed the human experience in incalculable ways. Nearly 1.1 billion fewer people are living in extreme poverty than in 1990. In 1990 1.85 billion people lived on less than \$1.90 a day (34.7% of the world population). In 2015 it was just 736 million (9.9% of the world population). As populations grow and standards of living increase, all humans will benefit. Companies will be created to provide goods and services to those humans, and investors in those companies will prosper tremendously. There will be hiccups along the way, but the long term future is extremely bright.

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## The SECURE Act of 2019 - Key Provisions Affecting Retirement & College Savings Plans

Americans are woefully behind in saving for retirement. The Setting Every Community Up For Retirement Enhancement Act, known as the SECURE Act, was signed into law by the President on December 20<sup>th</sup> with Bipartisan support. It contains several provisions that will affect most Americans and help them prepare for retirement. The biggest change was that the required minimum distribution (RMD) age for IRAs has been raised from 70½ to 72 allowing retirees to delay withdrawing funds and paying taxes on their IRA withdrawals.

The second major change was that the law also allows you to contribute to your Traditional IRA past the age of 70½, as long as you have earned income from working. These changes are good for the original beneficiary. However, the rules for “Stretch IRA’s” have changed. A “Stretch IRA” is an Inherited IRA that has been left to a non-spouse, such as a child or grandchild. Those funds will now need to be distributed within 10 years. Some beneficiaries may run the risk of falling into a higher tax bracket, especially if they are working.

Third, 401k rules have been relaxed a bit to promote their use. Part-time employees who work either 1,000 hours annually or have three consecutive years with 500 hours of service are eligible to join their employer’s 401(k) plan. Annuities will now become an option for employees receiving retirement distributions from their 401(k) plan, providing consistent income similar to a pension plan.

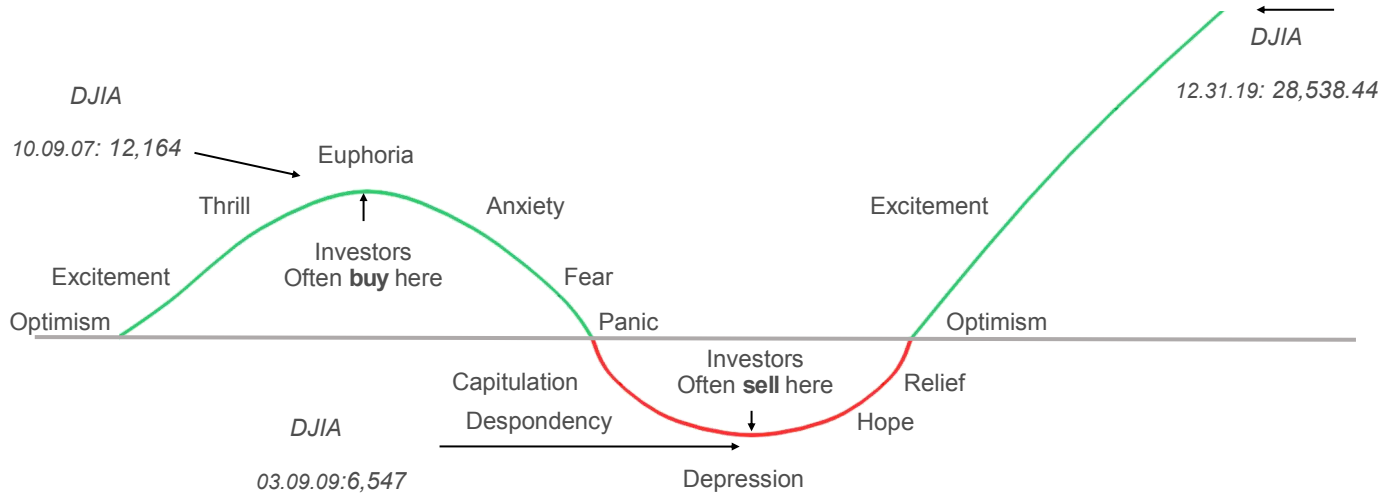
And finally, to help address the student loan crisis, the IRS will now allow qualified student loans to be repaid with 529 plan assets, up to a maximum of \$10,000 annually. Parents may also use 529 assets for the birth or adoption of a child, up to \$5,000 per year.

## Federal Funds Rates

The Federal Reserve has stated that they plan to keep rates where they are in 2020, with no expected increases or decreases unless inflationary pressures become prevalent. Most experts we consult with actually expect the FED to lower rates at least once this year to either fight inflation growth due to low unemployment or because they are bullied to by President Trump. We expect Trump to push hard for this in the summer months to ensure his reelection. If you are trying to predict who will win the election just remember the following: If the stock market is up in the three months before the election, the party who currently holds the office will win the Presidency. If the stock market is down in the three months before the election the opposing party will win the Presidency. This has been true in every election since 1900 and Trump is keenly aware of this. The easiest way for him to win reelection is to bully the Federal Reserve.



## 2007- 2019 Investment Cycle



All of us at Anchor Investment Management hope you had a marvelous holiday season. We will do our best to make sure you have a good 2020 as well.