



Weekly Investment Strategy

December 23, 2019

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Key Takeaways

- The Fed Will 'Light the Way' for Economic Expansion
- Earnings Growth Could 'Unwrap' New Record Highs
- The Rollout of 5(G) Could Be the 'Gift that Keeps on Giving'

On Thanksgiving Day, we were thankful and grateful for all of the gifts and blessings that investors have received from the US economy and financial markets in 2019. Between equities poised to notch their best year since 2013 and bonds set to post their best year since 2002, we had quite the list! But as the hustle and bustle of the holiday season approaches, it is hard not to get caught up in the excitement of gift giving and receiving, and we have a few ideas for what we hope to unwrap in 2020. Whatever your reason to celebrate this holiday season, these are the presents we believe investors would be happy to receive in the new year:

- **#1: One United Country** | Instead of deepening the divide, we hope the US presidential election will bring the nation together. We wish for 'goodwill' to be expressed towards all so we can unite in our gratitude for living in a country where we can freely express our ideas and exercise our right to vote.
- **#2: Two Percent Inflation** | Inflation at or below the Federal Reserve's target would allow the data-dependent doves to intervene if necessary in order to extend the economic expansion and keep a recession from ending the 'jubilation.' Chair Powell has expressed that significant inflation across the board would be required before rate hikes are considered.
- **#3: Three Percent Unemployment** | An unemployment rate at or below the current 50-year low would uphold the healthy labor market and bring 'prosperity' to the US consumer. Resilient consumer spending has been supportive of both the US and global economies, and we hope this trend continues into the new year.
- **#4: Four Quarters of Positive GDP Growth** | Four quarters of positive GDP growth would have us 'rejoicing.' Strong personal consumption and a turnaround in business fixed investment would help further the current record economic expansion.
- **#5: 5(G) Rollout** | The transition from 4G to 5G would have us 'shouting out with glee,' as it would mark the largest enhancement in wireless technology over the last decade. While information technology has remained one of our favorite sectors, we believe 5G has the potential to be a positive catalyst across most industries for many years to come.
- **#6: Six Percent Earnings Growth** | No one is too old for presents! Equity performance in 2019 was driven predominantly by P/E expansion, so 6% earnings growth would be just the 'sweet treat' the aging bull market needs to notch new highs in 2020.
- **#7: G7 Trading Freely** | A truce to untangle the trade tension 'tinsel' would bring 'joy to the world.' Specifically, the US and China signing a full trade agreement would remove uncertainty from the financial markets and provide relief for investors.
- **#8: Eight Percent Dividend Growth** | 'Let it grow, let it grow, let it grow!' 8% dividend growth would keep equity yields healthy and would help drive portfolio returns higher, especially since we expect interest rates to be lower for longer.
- **#9: Nasdaq Reaches Nine Thousand** | Another 'hot' performance from the information technology sector, which is up 48.1% year-to-date, would keep the 'cold' of slowing growth from 'nipping' at the equity market. Historically, info tech has performed well in an insurance rate cut environment, so we don't think its returns will 'freeze' any time soon.
- **#10: Ten Year Treasury Below Two Percent** | A 10-year Treasury yield below 2% would bring 'good tidings' to the housing market and fixed income investors. Lower mortgage rates may entice buyers to purchase a new 'home for the holidays.'
- **#11: All Eleven Sectors Soar Higher** | All 11 S&P 500 sectors with 'piping' performance for the second straight year would be a 'miracle' not seen since 2013. InfoTech has notably led the way, but the average sector is up 27.2% year-to-date.
- **#12: Twelve Months of Positive Payrolls** | A year of positive job creation will keep the labor market carolers 'singing' and 'dancing' the night away. We do not want to ask for too much, but if the US economy could add between

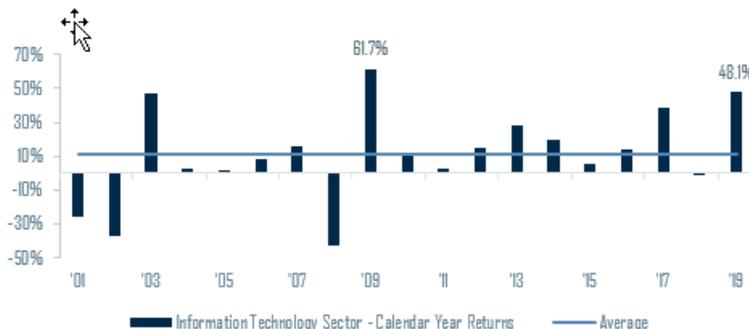
70,000-110,000 jobs per month it would also help maintain the low unemployment rate (3.5%).

While we would love for investors to receive all of the gifts on our holiday wish list, even a few could result in 2020 being another sensational year. But in addition to our hopes for the US economy and financial markets, we want to send our best wishes for a wonderful holiday season and a new year of health, happiness and good fortune to you and your families.

CHART OF THE WEEK

5(G): The Gift That Keeps on Giving

The highly anticipated rollout of 5(G) would be a positive catalyst for the Information Technology sector, which is having its best year since 2009.



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