



CLARO ADVISORS



Quarterly Newsletter
January 2020

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CLARO NEWS AND ANNOUNCEMENTS

Happy New Year and Decade!

Many changes occurred at Claro over the last few months. We added two new experienced Financial Advisors and a very talented client service team member. You can find all their biographies linked below. In addition, we moved. After a year long search for new office space, we finally found our new home away from home at **100 High Street, Suite 950** in downtown Boston. We hope many of you can come visit us.



Kathy Bowes, CFP



Pat McNamara, CFP



Corey Abrams

Also- major changes were made to many retirement rules and we wanted to make sure those were highlighted for you. You can read about those here: <https://www.fidelity.com/learning-center/personal-finance/retirement/understanding-the-secure-act-and-retirement>. We hope you can review those with your financial advisor at your next meeting.

We look forward to seeing you and until then, we wish you a great year ahead full of health and happiness. Thank you for your continued support of us at Claro Advisors. We will continue to always act in your best interest only.

Ryan Belanger
Managing Principal

Claro Market Insights
New Year, New Decade, New Resolutions

The month of December saw the markets put their finishing touch on a rather remarkable 2019. The technology dominant **Nasdaq** again led the way up 3.5% for the month and 35.2% for the year, with its largest constituent **Apple** soaring to record highs up another 10% for the month and an incredible 89% for the year. The **S&P 500** and **Dow Industrials** were not too far behind, returning 28.9% and 22.3% respectively. **Small Cap stocks**, as measured by the Russell 2000 index, had solid returns and were up 2.9% for December and 25.5% for 2019. Meanwhile **International Developed and Emerging Markets** also advanced as the United States and China made progress in resolving their trade issues, finishing the year up 18.4% and 15.4% each. Bond indices overall finished the year up around 8% as they benefited from a reversal in monetary policy and a steepening yield curve. Oil saw a rebound in price which helped companies in the energy sector. Gold and cryptocurrencies such as Bitcoin rose on the year as well as investors sought other alternative assets for returns amid rising volatility.¹

Financial Market Data				
	December	December	Q4	2019
U.S. Stock Markets	Closing Price	Monthly	Quarter	YTD
S&P 500 Index Price	\$ 3,230.78	2.9%	8.5%	28.9%
Dow Jones Industrials	\$ 28,538.44	1.7%	6.0%	22.3%
NASDAQ Composite	\$ 8,972.60	3.5%	12.2%	35.2%
Russell 2000 Index	\$ 1,668.47	2.9%	9.9%	25.5%
International Stock Markets	Closing Price			
MSCI EAFE Index	\$ 2,036.94	3.2%	7.8%	18.4%
MSCI Emerging Markets Index	\$ 1,114.66	7.2%	11.3%	15.4%
U.S. Fixed Income	Closing Price			
90 Day T-Bill	\$ 202.22	0.1%	0.5%	2.3%
Barclays Aggregate Index	\$ 2,225.00	-0.1%	0.2%	8.7%
Barclays Municipal Index	\$ 1,271.56	0.0%	0.4%	7.9%
	Closing Price			
Gold	\$ 1,514.75	4.2%	3.4%	18.4%
Oil (WTI Spot)	\$ 61.06	10.7%	12.9%	35.2%
Bitcoin	\$ 7,189.94	-3.1%	-13.7%	85.3%

Despite the uncertainty caused by the ongoing trade tensions between the U.S and China throughout 2019, there have been several positive economic data points that have given investors reasons to support stock prices. Some of these include strong labor markets, which saw the unemployment rate drop to 3.5% (the lowest level since 1969) as the total number of employees (measured by nonfarm payrolls) increased above a historic 150 million laborers², low inflation which remained around 2 percent³, and somewhat stable corporate earnings⁴. Monetary policy has also been supportive as the Federal Reserve saw reason to cut rates by ¼ percent on three occasions in 2019 which helped provide additional fuel to the investment engine.

¹ <https://ycharts.com/indices>

² <https://fred.stlouisfed.org/series/PAYEMS>

³ <https://fred.stlouisfed.org/series/CPIAUCSL>

⁴ <https://fred.stlouisfed.org/series/CPROFIT>

Themes for 2020

While there are quite a few factors that will move markets in 2020, we expect four of the usual suspects to dominate the headlines:

- 1) Trade Talks
- 2) Geopolitical Tensions
- 3) Federal Reserve on Hold
- 4) U.S. Election

With regards to trade, the U.S. and China are expected to sign a much anticipated “Phase One” trade deal in January, however we’ve been down this road before and it still doesn’t appear to fully address intellectual property and technology rights. The new year has already started with our first geopolitical flare up with a U.S. drone strike on an Iranian general who is suspected of plotting terrorist actions against U.S. interests. Time will tell if there will be a response from Iran or if the situation escalates. The Federal Reserve is expected to take little action in 2020 as Fed Funds futures are pricing in a 50% chance of any action in 2020⁵. This makes sense as the Fed typically likes to stay out of the way during a presidential election year. Speaking of which, in the past 23 presidential elections since the S&P 500 index was created, the average return has been 9.2% with just four negative years for the stock market, three of which were in the face of recessions (1932, 2000 and 2008) while the other was at the outset of WW2 (1940).⁶

The Bottom Line

The beginning of a new year (and in this case a new decade) is a great opportunity for investors to review and reflect on their past investment progress and to update their plan for the year(s) ahead. Making resolutions can be part of that plan, especially if there are particular activities that you as an investor would like to focus on. A resolution, by definition, is “a steadfast decision to do or to not do something”⁷, so investors should choose activities that require some effort and will help improve their investing plan and financial well-being. Working closely with your financial advisor can help establish and accomplish these resolutions and goals.

Here are seven suggested New Year’s resolutions for investors in 2020. ...

- 1) Save more and save more often
- 2) Focus on your “needs” versus your “wants”
- 3) Diversify your portfolio – to help insulate your portfolio against market volatility
- 4) Tax-efficient investing – it’s not just how much money you make, but how much you keep after taxes
- 5) Rebalance regularly – stick to a regular rebalancing schedule such as quarterly
- 6) Monitor your progress – keep a long-term perspective in mind
- 7) Don’t let emotions cloud your judgement – making investment decisions during periods of market volatility or based on reactions to news or geopolitical events is one of the greatest pitfalls for investors.

We will dive deeper into these individual resolutions as the year goes on, but if you can incorporate any or all into your investment plan you will take great strides toward achieving your investment goals.

Michael Mullin, CFA

⁵ <https://www.frbatlanta.org/cenfis/market-probability-tracker.aspx>

⁶ <https://www.thebalance.com/presidential-elections-and-stock-market-returns-2388526>

⁷ <https://www.lexico.com/en/definition/resolution>



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