

Our Fundamental View:

The tone of the political & economic landscape again improved last month as the Brexit, US/China trade war and Impeachment dramas all appear to be headed for happy endings. While much is uncertain, these developments in general are good news for the bulls.

That being said, economic indicators such as ISM & PMI remain stubbornly weak around the globe. As we discussed last month however, markets typically perform quite well after such extreme readings which is also 'good news for the bulls'.

Finally, yield curves around the globe continue to normalize. Yet one more piece of good news for the bulls, as a steepening yield curve suggests healthy economic growth is likely 'right around the corner'.

Our Technical View:

Stocks remain in great shape technically, and in strong up trends. Market internals such as breadth and leadership (Advance–Decline Line and Net New 52-wk. Highs, respectively) remain healthy and are confirming the move to new highs. A very different picture from 2018, when they correctly identify the market's 'changing seasons'.

In our last installment we noted the 'breakouts' in the Russell 2000 and the All Country World Index and both of these indices are also seeing strong follow through to the upside. While a pause to digest these gains could occur at anytime, any weakness will likely be short lived as stocks continue their ongoing bull market.

Consensus Call of the Month:

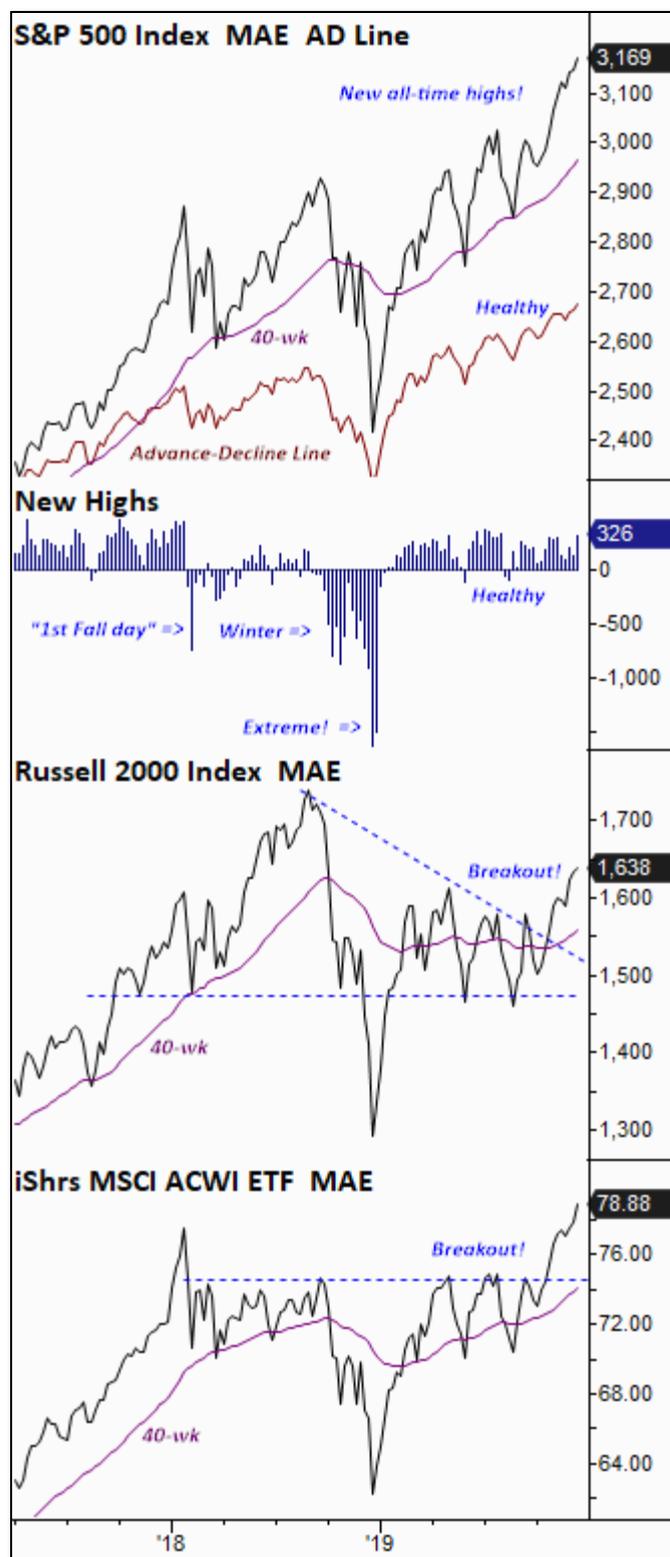
In his most recent statement Chmn. Powell implied that the Federal Open Market Committee will be 'on hold' until further notice, or at least until new economic data causes them to adjust their policy. Like most market professionals we take him at his word and do not expect any change to interest rates over their next few meetings.

Contrarian Call of the Month:

On the other side of the sentiment coin however, is our view that the weak readings in economic indicators such as industrial production and PMI will soon turn higher, *following* the equity markets (and not vice versa). We also believe this renewed strength will lead to a new leg higher in the cyclical bull market stocks are now enjoying.

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Charts courtesy of TradeStation, as of December 13, 2019

