

### Our Fundamental View:

After a brief respite for the holidays, headlines have again turned ominous with impeachment, geopolitical issues and weak economic data providing a trifecta of worries for investors. Despite these very real concerns, *the markets themselves* remain unfazed – and we believe it’s always wisest to listen to the markets, over the headlines.

The biggest risk to the markets (in our view) is the 2020 US election cycle. While at this point it looks as if President Trump will win re-election, this is by no means guaranteed. Should even a more moderate democratic candidate win the White House it would likely lead to the reversal of many of Trump’s policies, such as tax cuts and decreased regulation.

### Our Technical View:

Technically speaking, stocks are clearly in a strong up trend. Internals (such as breadth and leadership) remain healthy and are confirming the strength in the broad market averages. A very different picture from 2018, when leadership correctly identify the changing market seasons.

In addition to our markets, those across the globe have been firming. Despite the worrisome headlines Chinese A-Shares (ETF: ASHR) are now 10% off their 2018 lows. A surprise to many, and a trend we believe is likely to continue given ASHR is holding above its 40-wk moving average.

### Consensus Call of the Month:

We have not been the only ones to notice the strength in overseas markets. It’s quite the opposite in fact, in that it seems impossible to read a ‘2020 Outlook’ which does not argue for an overweight exposure to the emerging markets. A popular call, which we believe will ultimately be correct.

### Contrarian Call of the Month:

As noted above, we have been extremely impressed with the market’s ability to shrug off bearish headlines. This is particularly true in the bond markets, where despite both materially disappointing economic data and missiles actually being fired in hostility, US Treasuries have not benefitted from the typical ‘flight to safety’. We believe this is the market’s way of telling us that the lows in yield on the 10-year US Treasury are unlikely to see a test.



Charts courtesy of TradeStation, as of January 10, 2020

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