

Market Watch with RMH

February 2020

2020 began with the signing of the Phase One trade deal between the U.S. and China as it signaled the end of the tariff tit for tat (which had slowed global growth in 2019), resulting in global markets moving higher. In addition we have just finished a bang-up 2019 Q4 Gross Domestic Product numbers, a strong January Jobs Report, a significant pickup in housing, all demonstrating the U.S. economy is on strong footing with room to grow. Couple this with the chart below and all looked good for 2020. Other than “Beware of The Crowd at Extremes”, all was well.

RiverFront’s Tactical Dashboard

	September 23rd	December 9th	February 17th
Don't Fight The Fed	Supportive	Supportive	Supportive
Don't Fight The Trend	Positive	Positive	Positive
Beware of The Crowd at Extremes	Neutral	Extreme Optimism	Extreme Optimism
Positioning	Prefer Equities over Bonds	Prefer Equities over Bonds	Prefer Equities over Bonds

Opinions are not intended as recommendations and are subject to change. Terms used in this chart are RiverFront interpretations. Definitions for terms used above are included in the disclosures.

Then we started to get more information on the coronavirus (COVID-19) epidemic from China. At first, the thought was this would be over quickly, was only confined to China (a Chinese problem), very few deaths/infections, would be over shortly. Then the truth began to emerge.....

- Worse than expected, now 78,600 cases and increasing, at least 2,400 deaths and going higher, and best of all, 24,800 have recovered. If you would like an interactive map from Johns Hopkins CSSE, please click on the link below

<https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>

- Now in 30 countries.
- The Chinese government underplayed the situation. They knew about it in December, censured the doctor who reported it, then censored the doctor and 8 colleagues who reported it, sequestered them for 8 days for reeducation, then realized, “Houston we have a problem” Sadly the doctor who discovered the virus in China has died, and at the peak of his health crisis (as he was posting his symptoms), over 100,000,000 people were monitoring his health status.
- GDP growth for China will be well under the “expected / usual” 5 – 6%. It is hard to have economic growth when a province of 60,000,000 people are quarantined to their houses, and all of the factories/businesses are closed.
- The Hubei province plays a significant role in the “just time manufacturing” for the world’s factories. Workers could not get back to work from all over China, as they were trying to return from the Annual Chinese New Year’s holiday (2 weeks plus), when traditionally they go home. It is estimated there were over 2.5 Billion trips.
- Factories around the world will be producing less.
- If the Chinese population can’t work, western world will start to see slower growth as a result
- Global growth was expected to be well over 2%, now probably under 2%
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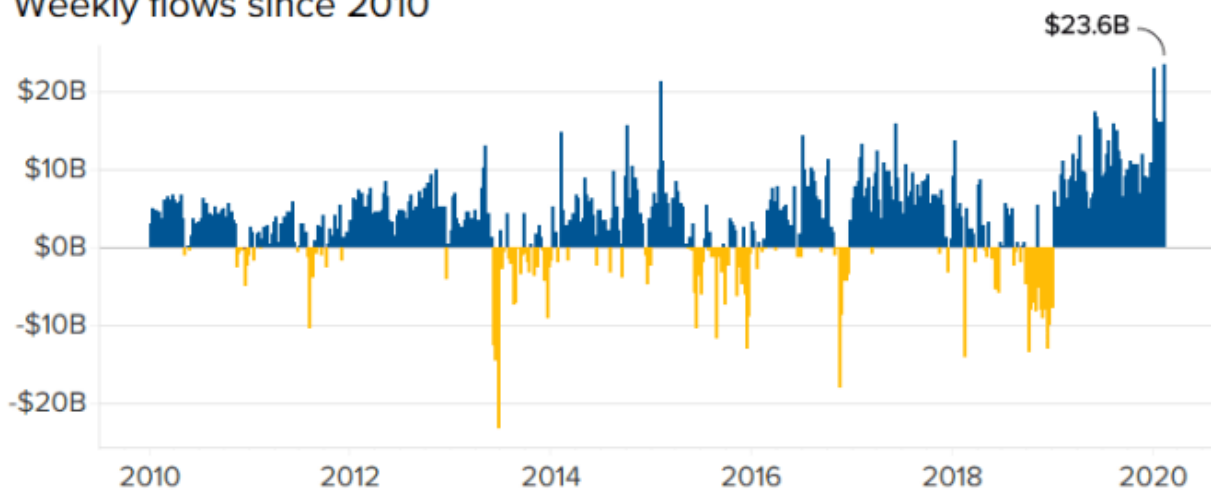
Record inflows into Bond Funds for 2020

- Bond funds saw \$23.6 billion in new investor money last week, a record, according to BofA Global Research.
- Despite the roaring stock market, investors see low interest rates as a continued plus for fixed income.
- If that pace keeps up, the year will see another \$1 trillion of inflows for the \$10 trillion already in global bond market funds.
- BofA’s chief investment strategist Michael Hartnett said the market is seeing a “twin” bubble of assets coming into both bonds and tech stocks.

- However, investors are betting that a low interest rate environment coupled with slow though not spectacular economic growth will make bonds both a way to preserve capital and generate income at a time of [growing volatility in the stock market](#).
- “We’re seeing a rising tide lift all boats right now,” said Bill Merz, fixed income strategist at U.S. Bank Wealth Management. “There’s a bit of a rebalance trade there. But I think the underlying catalyst is just this remarkable degree of liquidity coming from the
- “I’m not so concerned about what happens when interest rates go up. Investors will lose money on these investment products, but it’s going to take a very long time for people’s faith in bonds to be shaken,” said Mitchell Goldberg, president of ClientFirst Strategy. “I don’t really sense that it’s economic news that’s driving a lot of investors towards bonds. I think most of it is age-based allocation shifts.” major central banks in the last few months that have kept this going.”

Bond fund inflows reach weekly record

Weekly flows since 2010



SOURCE: EPFR



From the February 13, 202 Interesting Engineering email, one way to cut down on all of the email distractions, “Space Engineer Built Her Own Cell Phone with a Rotary Dial System” link is below.

[https://interestingengineering.com/space-engineer-built-her-own-cell-phone-with-a-rotary-dial-system?
_source=newsletter&_campaign=18W4aYmkXonEx&_uid=5xe73Ejre7&_h=b29d
b9fca052202d67015abfdddf851830b77ee&utm_source=newsletter&utm_medium
=mailing&utm_campaign=Newsletter-13-02-2020](https://interestingengineering.com/space-engineer-built-her-own-cell-phone-with-a-rotary-dial-system?_source=newsletter&_campaign=18W4aYmkXonEx&_uid=5xe73Ejre7&_h=b29db9fca052202d67015abfdddf851830b77ee&utm_source=newsletter&utm_medium=mailing&utm_campaign=Newsletter-13-02-2020)

RiverFront February 18, 2020 The Weekly View

Schwab Feb 15, 2020 Markets in a Minute

CNBC Feb 14, 2020 Investors are flocking to Bond Funds in record numbers

We thank you all for taking the time and reading “Market Watch.” It is meant as an educational piece on the always evolving markets. It is something we plan on providing every month, and your feedback is very important to us. Please feel free to always reach out with questions, thoughts, or comments. If there are ever any topics you wish us to explore, please share.

On a personal note, RMH is now in the position to bring on new clients and please be sure to share this informational letter with whomever you wish. RMH’s focus is on the customizable investment needs of individuals, families, and foundations. We enjoy working with our clients to better understand their goals, values, and passions for what is important in their lives. In expanding our client base, we look forward to working with people who share these same desires

Richard Mundinger, CFA

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