

January 1, 2020

Hello Friends,

What an exciting day, it's the first day of the new decade. I've written several times about this new decade and that it would later be known as The Roaring 20s. I believe that from 2020 to 2030, those of us with equity investments will enjoy a long term period of prosperity. In a few years, the media will be debating which century's Roaring 20s decade enjoyed the greatest prosperity.

It is my view that there is low probability that the Fed will raise rates in 2020. First, it's an election year. Fed chairman Jay Powell may not be so fond of Trump, but he's a Republican and politics matter. Furthermore, the Fed wouldn't mind seeing a bit more inflation creep into the economy. By keeping rates low for an extended period, perhaps a small amount of inflation finds its way into goods and services. The Fed could even cut rates further. An extended period of Fed inactivity, and low interest rates is a positive for stocks. In my opinion, corporate profits will continue to accelerate and the market P/E ratio will continue to expand.

The economy is strong. Inflation is tame and unemployment figures continue to improve each quarter. Wages are rising and it seems that the United States is enjoying the strongest economy of all developed nations in the world. Trade tariffs never created the headwinds to the economy as feared, and it appears that a deal with China is close. The United States is at the center of most of the new innovation. American entrepreneurs are leading the world with new software and computer Apps. And mortgage rates are 3% to 4%. I believe that the housing market will boom alongside stocks.

The Dow Jones started the last decade at 10,428 and finished at 28,538 on 12/31/19. That represents a gain of 173%. If you apply that same percentage gain from 1/1/20 to 12/31/2029, that would put the Dow Jones at 78,000 at the end of this new decade. I'm not going to make a prediction, just that I'm bullish. Perhaps I'll take a different view in September of 2029 as I certainly know what happened in October of 1929. But I have nine years before I need to worry about that.

Please keep in mind that there will always be wild and painful volatility. There will be periods of emotional despair and months where you won't even want to open the envelope containing your monthly statement. But it will be during those periods of ugly downside and depression that I will be a buyer and deploy cash into the market. Just practice Lamaze breathing techniques during the ugly cycles. On the flip side, when the market has periods of euphoria and irrational exuberance, I will likely raise cash into that market strength. In other words, I'll do my best to try and buy low and sell high. I'll attempt to profit from the volatility.

Since most of my clients are risk averse, I will continue to balance my stock market investments with CDs, Muni Bonds, and Treasury Bills. This asset allocation strategy will likely limit some of the upside profit, but it also becomes a cushion on the downside. It's also possible that I could be wrong about everything and the fixed income component would provide some protection.

My favorite stocks for the new decade are the same stocks as the last decade. I continue to overweight Apple, Costco, Google and Amazon. My other favorites, but with slightly less capital commitment include Netflix, Visa, Salesforce, Decker Outdoor, Stryker and Lululemon. I intend to own these ten stocks for ten years. I'll call it my Ten for Ten list.

So when the news media folks start talking about the Roaring 20s, just remember that I thought of it first. Please call or email if you have any questions or would like to discuss portfolio strategy. I'm always available. Happy New Year.

Sincerely,

Jim Aljian



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