

# Dividend Assets Capital



DIVIDEND ASSETS CAPITAL - INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

## Quarterly Commentary December 31, 2019

The fourth quarter presented good performance for U.S. stocks. Trade negotiations with China improved with the probable 'phase one' deal to be signed in mid-January 2020. Sentiment helped the market, as well, with clarity on Brexit after the U.K. election, which led to a Conservative win that was larger than expected.

Fears of a looming recession abated:

- No yield curve inversion: When the 10-year Treasury note yield is lower than the 2-year Treasury note, a recession usually happens within 18 months.
- No doubling of oil prices in a 12-month period: Even with the bombing of the largest Saudi refinery complex and oil field, the price of oil settled within a few days.
- Record employment in the U.S.
- The Federal Reserve lowered interest rates.
- Stable unemployment claims.

Markets are generally up in a presidential election year and this election year is already very contentious. Many pundits point to high P/E ratios on the S&P 500, but they are within 10% of the historical average.

We believe that 2020 will be good for equities. Companies are still doing stock buybacks and paying dividends. During 2019, the market felt very volatile, but that was not the case. Volatility is generally expressed as the number of up or down days of one percent or more. Last year, there were 38 of those days, but the six-decade average has been 53.

We are optimistic about the market in 2020. As we mentioned:

- No recession in sight
- Dovish FED keeps interest rates low
- Full employment
- Large amounts of cash on the sidelines
- Low inflation below 2%
- Company stock buy backs

We believe that high-quality companies that grow their dividends or distributions will be a better investment. Since energy has underperformed for the last decade, we think with a reversion to the mean, it will be an interesting sector.

We wish you a happy, healthy and prosperous New Year!

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S&P 500 refers to the Standard and Poor's 500 Index which is a capitalization weighted index of 500 stocks. Individuals cannot invest directly in the S&P 500 Index.

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Dow Jones refers to the Dow Jones Industrial Average Index (DIJA) which consists of 30 U.S. blue-chip stocks from all of the major sectors except utilities and transportation. Individuals cannot invest directly in the Dow Jones Industrial Average Index.

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**DIVIDEND ASSETS CAPITAL, LLC** is a privately held registered investment advisor located in the Low Country of coastal South Carolina. We were founded in 2003 by several investment professionals each sharing the desire to provide clients with a sound investment philosophy using energy related Master Limited Partnerships (MLPs) and dividend growth equities. From its humble beginnings of five employees, the firm now includes a staff of fourteen.



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