

Extraordinary Times

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Investors rejoiced last year given the unexpected remarkable performance in almost all asset classes. Most investors misjudged the strength of the markets. In the fourth quarter of 2018, fears of recession, higher interest rates, and an ugly trade war with China cast a gloomy cloud over the markets for 2019. Instead, the markets defied nearly all predictions, setting record highs for many major indices. The fact that investor expectations were set so low amid numerous challenges facing the global economy, the flow of unforeseen positive data forced many investors to commit capital for fear of being left behind in the best bull market since 2009. The change in investor sentiment was driven by a major shift in the Fed's monetary policy, prompting the fixed income markets to join in the performance celebration, despite trepidation of tight spreads and weak covenants. For 2020, the markets may face increased volatility and skepticism despite stronger global growth; however, due to technological, demographic, and social disruptions, one should expect the unexpected in these extraordinary times.



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