**QUARTERLY MARKET COMMENTARY: 2019-Q4**

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ELLIS INVESTMENT PARTNERS LLC

As we closed out a phenomenal year for capital markets in 2019, we must admit a sigh of relief could be sensed which was a far cry from the sheer panic experienced the year before. With the memory of a devastating December 2018 fresh on our minds, end of the year calls for a major correction from some well-known Wall Street "celebrities," ranging from -10% to an unbelievable -50%, could have triggered another dreaded sell-off driven by rational expectations. Thankfully, we experienced a pleasant surprise when domestic equity markets continued to approach all-time highs.

Our time to reflect was short-lived when we were blindsided by breaking news regarding a U.S. drone strike which killed Iranian General Soleimani. In addition to the trade war between the U.S. & China and the news regarding the impeachment process, we now have another item involving the destabilization within the Middle East. Our recent military action and additional sanctions on Iran will make any negotiations regarding Iran's nuclear capabilities nearly impossible. Volatile oil prices are expected to persist based on reports coming from this region. However, we believe any price spikes should be temporary due to projected softness in the global demand for oil.

Turning back to U.S. markets, we believe the 2020 trading range for the Dow Jones Industrial Average (DJIA) should be between 27,300 to 28,500 based on current earnings projections. Support levels continue to solidify, attributed to existing positive fundamentals, but we understand that as market levels continue further into overbought territory, the probability and magnitude of greater downside potential increases. In our analysis, should a healthy correction occur, we believe that -10% from current levels is a reasonable estimate. Our target range for the DJIA will be updated during the 1st quarter once year-end earnings announcements are completed and projections for 2021 become available. Currently, our 2020 domestic GDP growth expectation is approximately 2%.

From the issues mentioned above, let us focus on the U.S. & China Trade War. "Phase One" of the trade agreement is expected to be signed in January which is a move in the right direction. The anticipated signing of this agreement was one of the main catalysts for the year-end rally. Even though many details regarding the agreement are not available, we believe the impact will certainly be positive but not along the lines of some "street" or "political" expectations. It is doubtful that this agreement will be significant in stimulating economic growth, but we believe this agreement will, at least, prevent a further deceleration in our economy's manufacturing data and GDP growth.

Some analysts believe that a partial resolution to the trade war will instill confidence resulting in continued consumer & corporate spending. While we certainly will not argue this scenario, we do not see this as a reason to raise GDP growth projections. We believe the actual removal of all newly imposed tariffs would create a possible point of inflection resulting in stronger economic growth. Beyond positive GDP reports and healthy employment figures, recent manufacturing reports are beginning to raise concerns. If such lackluster reports continue, we believe the weakness in manufacturing will bleed into employment figures, thereby possibly raising red flags.

As we approach our firm's 8th anniversary this April, we must express our appreciation to you, our clients. Not only are we thankful for your confidence in us and patience during significant market downturns, we also recognize that our firm's growth is significantly driven by your referrals. As a wealth management firm that does not have a marketing department, this network of referrals has enabled us to dedicate our time & resources to fulfilling our commitment to you while growing the number of client relationships that we treasure so much. Again, we thank you and wish you a Happy & Prosperous New Year!

This report was written by David Y. Sun, CFA. It is a recap of the market conditions from the previous quarter and is for information purposes only.