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### *“Strong Kick-off to the Holiday Shopping Season”*

**November delivered strong returns with the three major indices rising to new record highs. The Dow Jones Industrial Average edged up 23.1% year-to-date while the Nasdaq registered an impressive 30.6% return during the same period. The S&P 500 has posted 23 record highs in 2019 with a solid 27.6% year-to-date gain despite global trade tensions, elevated geopolitical risk, and economic policy uncertainty weighing on investors’ minds. Stronger-than-expected corporate earnings, healthy consumer metrics, stabilizing global growth, and accommodative monetary policy supported the stock market’s bullish streak.**

The U.S. economy expanded faster than expected in the third quarter at an annualized 2.1% pace, compared to the first reading of 1.9%, according to the U.S. Bureau of Economic Analysis. The second estimate of 3Q GDP indicated upward revisions to nonresidential fixed investments, private inventory investments, and personal consumption expenditures (PCE), whereas state and government spending were revised downward. For the first time since 2017, the housing sector contributed positively to real GDP growth amidst three consecutive federal funds rate cuts in 2019. Lifted by a strong labor market and low mortgage rates, new home sales were up nearly 32% year-over-year through October. Although the Fed’s mid-cycle adjustment benefited the housing market, residential construction accounted for only 3.7% of the economy in 3Q 2019, compared to its pre-crisis peak of 6.7% in 2005.

October minutes of the Federal Open Market Committee (FOMC) revealed that most members found recent cuts at the last three consecutive meetings sufficient to support the economic momentum. Fed Chair Jay Powell reiterated that “the current stance of monetary policy remains appropriate,” a clear indication to investors to lower their expectations for further rate cuts. The Fed remains data dependent, with U.S. monetary policy on hold, as long as economic conditions remain stable.

As the holiday season gets underway, with six fewer shopping days between Thanksgiving and Christmas this year, retailers accelerated early promotions and discounts and enhanced shopping options to attract more customers. Fewer shoppers lined up outside stores on the eve of Black Friday, reflecting the major trend away from shopping at brick-and-mortar stores. Large retailers including Walmart, Target, Best Buy, and Costco have beefed up their online presence, home deliveries, and in-store pick-ups to capitalize on the latest trend. According to Adobe Analytics, which measures transactions from 80 of the top 100 U.S. online retailers, consumers splurged \$7.4 billion on Black Friday online sales, the second biggest online shopping day ever, behind last year’s Cyber Monday. Some shoppers feared that tariffs on Chinese imports would make the holiday shopping more expensive although major retailers had absorbed most of the price increases thus far.

Market Return Indexes	November 2019	YTD 2019
Dow Jones Industrial Average	4.1%	23.1%
S&P 500	3.6%	27.6%
NASDAQ (price change)	4.5%	30.6%
MSCI Europe Asia Far East (EAFE)	1.1%	18.2%
MSCI Emerging Markets	-0.1%	10.2%
Bloomberg Barclays High Yield	0.3%	12.1%
Bloomberg Barclays Aggregate	-0.1%	8.8%
Yield Data	Nov 30, 2019	Oct 31, 2019
U.S. 10-Year Treasury Yield	1.78%	1.69%

Dragging on for 19 months, the U.S.- China trade tensions remain one of the biggest causes of uncertainty for investors as they seek to navigate an environment of decelerating global economic growth, slowing business investment spending, and increasingly volatile equity markets. In October, the world’s two biggest economies appeared near completing “a substantial phase-one deal” that would include a sizeable purchase by China of American agricultural products, along with some provisions related to protection of intellectual property and access for financial services firms. However, recent frictions over planned tariff increases and the protests in Hong Kong have delayed progress on the phase-one trade deal, ahead of the December 15<sup>th</sup> deadline when additional U.S. levies on Chinese exports will take effect. Going into 2020, global trade tensions are likely to weigh on economic prospects and act as a headwind to the current bull market.

## LEGAL UPDATE | IRS issues new proposed regulations on life expectancy tables for calculating required minimum distributions

On November 7<sup>th</sup>, the Internal Revenue Service (IRS) issued new proposed regulations on life expectancy tables and applicable distribution period tables for calculating required minimum distributions (RMDs), which reflect longer life expectancies for retirees based on currently available mortality data. The effect of these changes is to allow individuals with affected retirement plans the option to withdraw slightly smaller amounts from their plans each year, giving individuals and beneficiaries the option to leave amounts in tax-favored retirement accounts for a longer period of time, to account for the possibility that they may live longer.

Here are some highlights of the changes resulting from the proposed regulations:

- The life expectancy tables and applicable distribution period tables in the proposed regulations have been developed based on mortality rates for 2021.
- The new life expectancy tables and applicable distribution period tables reflect life expectancies that are generally between one and two years longer than the tables under the existing regulations.
- The new factor for age 70 is 29.1. This is an increase from the current factor of 27.4. The result of the increase is slightly lower RMDs for participants and beneficiaries. By way of example, under the current regulations if a 70-year old retiree had \$250,000 in his or her affected retirement plan, the individual is required at age 70 (with first distribution received no later than 70 ½) to withdraw \$9,124, versus under the proposed regulations the same individual would be required to withdraw \$8,591, a decrease of \$533.
- The proposed regulations would have no effect on individuals who withdraw more than the current RMD amount required.
- In accordance with the proposed regulations there are transition rules, under certain conditions, that may apply for beneficiaries to “reset” using the new life expectancy tables.
- Anyone commencing substantially equal periodic payments prior to January 1, 2021, may also apply the new rules after January 1, 2021 without being treated as making a modification.

### Conclusion

The new RMD tables are currently only proposed. Once finalized the new RMD tables would be used for calculating RMDs in 2021 and later. For purposes of calculating RMDs for 2020, the existing tables continue to apply, including for those who attain age 70 ½ during 2020 (and who wait to take their first minimum required distribution for the calendar year 2020 until 2021, but no later than April 1, 2021). We will continue to monitor these new developments and will notify you when the new RMD tables become final.

If you would like more information on this topic or have any questions, please contact your USI Consulting Group representative.

For previous market commentaries please click [here](#).

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*The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.*

*The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.*

*The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.*

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*The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.*

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