Financial markets enjoyed solid returns for the fourth quarter and 2019 as a whole. The S&P 500 stock market index set several new record highs through year-end, aided in large part by easing trade tensions between the U.S. and China. For the quarter, the S&P 500 large-cap index gained 9.1%, and 31.5% for 2019. Other equity classes, too, experienced similarly strong returns. The S&P 400 Mid Cap added 7.1% and 26.2% for the quarter and year; the S&P 600 Small Cap rose 8.2% and 22.7%, while the MSCI International Index gained 8.2% and 22.8%. These returns are in stark contrast to the declines witnessed in 2018 when these same indices declined by -4.4%, -11.1%, -8.5%, and -13.3%, respectively.

Although the bond market as measured by the Barclays Aggregate Index languished in the fourth quarter with a 0.2% gain, its 2019 return of 8.7% was its best calendar year since 2002. For the year, the 10-year U.S Treasury yield declined by 77 basis points (0.77%) to yield 1.92%. Corporate bond spreads narrowed below their 20-year average, indicating optimism among bond investors.

The Federal Reserve further reduced its short-term Federal Funds rate during the fourth quarter. For the year, the Fed cut its rate by 0.75% to 1.50%, bringing this interest rate back to its early-2018 level. By its own admission, the Fed wanted to cushion the U.S. economy against any downside consequences from ongoing trade conflicts and slowing global growth.

Moderate U.S. growth, a recently firmer global growth environment, and ample central bank liquidity via lower interest rates should support the stock market, yet both positive and negative forces will be at play in 2020. Easing U.S.-China trade tensions will be welcomed but are also vulnerable to periodic setbacks, and the U.S. election has market-moving potential as the race evolves.

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<tr>
<th>Market Value 12/31/19:</th>
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<td>Performance as of 12/31/19:</td>
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<tr>
<td><strong>DIT</strong></td>
<td><strong>4Q19</strong></td>
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<td>+6.53%</td>
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<td><strong>Blended Benchmark</strong></td>
<td>+5.90%</td>
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*MSCI World / Barclays Aggregate Blended Benchmark

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