January 2019

Monthly Market Commentary

We hope that you had a wonderful holiday and have a healthy and prosperous 2019! As 2018 has come to an end, we can conclude that it was volatile compared to recent years. The current regime of volatility can be attributed to what we believe is a transition phase from a strong growth-oriented environment to a slower growth environment. Strong growth supported by massive stimulus from both monetary and fiscal policy over the years is starting to fade as a result of tougher comparisons going forward. The Federal Reserve continues to raise rates and shrink its balance sheet into this anticipated cyclical slowdown. These factors have varying implications for different asset classes as the market adjusts to these new conditions. Further, the structure of the new House and Senate creates uncertainty for policy going forward. European countries continue to slow alongside certain emerging markets like China, which are also having negative impacts on markets globally. Consistent with late cycle dynamics, assets are repricing to adjust to these economic shifts, albeit, at a faster pace than many would have anticipated. In anticipation of these shifts, we have been defensive in our allocations over the past few quarters and continue to maintain higher cash levels than usual. As we head into 2019, we remain of the view that the economy will continue to expand; however, the rate of growth will be slower than the previous year. Extreme levels of volatility create opportunities, but we believe being patient to take advantage of them is the right strategy.