CWP PRIVATE WEALTH MANAGEMENT

March 2019

Monthly Market Commentary

What a difference a couple of months can make! Investor sentiment went from extremely bearish at the end of 2018 to extremely bullish by the end of February 2019. Moves like this warrant extreme caution as the markets tend to disconnect from fundamentals and trade on short term news and optimism. A few developments over this time were a reiterated dovish FED policy and an extension of the trade truce deadline with China. On the flip side, key economic data has been delayed and is playing catch up due to the government shutdown, while risk remains to the downside on that front as most reported data points have been slowing. In 2018, fourth quarter GDP was reported at 2.6% QoQ versus 3.4% prior, which translates to a 3.1% YoY growth rate in Q4. Further, we are approaching the end of the 4th quarter 2018 earnings season, with 464 companies reporting aggregate sales and earnings growth of 5.1% and 16.6%, respectively. This compares with the 3rd quarter of 2018, which reported aggregate sales and earnings growth of 8.6% and 28.4%, respectively. Looking at these numbers, we can clearly see a slowdown and expect earnings to slow further in the next few quarters as companies compare against fiscal stimulus induced earnings in 2018. Considering various factors and the market action this year, which quickly recouped a lot of ground in a very short period despite weakening fundamentals, leads us to be more patient and maintain higher cash levels until we see clear signs of improvement in the economy.