



INCISIVE INVESTOR

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WEEK IN REVIEW ANTICIPATING WEEKEND BREXIT SUMMIT

Review of the week ended November 23, 2018

- **UK's May straightening out final Brexit terms with EU**
- **Hopes waning for US-China trade truce**
- **Three additional US Fed hikes less likely**
- **EU rejects Italy's budget proposal yet again**

U.S. stocks closed lower Friday, pressured again by falling oil prices, which drove the indexes to weekly losses of more than 3.5%—the second straight week of declines. The New York Stock Exchange closed at 1 p.m. Eastern Time, while other financial markets also saw earlier closures on Black Friday.

The Dow Jones Industrial Average DJIA fell 178.74 points, or 0.7%, to 24,285.95, the S&P 500 index SPX off 17.37 points, or 0.7%, at 2,632.56, while the Nasdaq Composite Index COMP retreated 33.27 points to 6,938.98, a decline of 0.5%.

For the week, the Nasdaq tumbled 4.3%, the Dow ended the week 4.4% lower, while the S&P 500 notched a week-on-week decline of 3.8%.

According to Dow Jones Market Data, this week's performances for all three major indexes marks their worst Thanksgiving weeks

since 2011.

MACRO NEWS

EU leaders expected to approve a Brexit deal on Sunday

After months of negotiations, leaders of the 27 remaining members of the European Union and the United Kingdom will gather this weekend to authorize the terms of the UK's withdrawal from the EU, barring any last minute problems. A potential stumbling block is Spain's last minute effort to add the status of Gibraltar, a British overseas territory, to the discussion. Getting an agreement in Brussels looks to be far easier for Prime Minister Theresa May than having the agreement sanctioned by the British Parliament next month. The proposal is very unpopular, with some critics saying the deal puts Britain in a worse position than if it had retained its EU membership.

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Tensions ahead of US-China trade talks

The war of words between China and the United States resumed this week ahead of scheduled trade talks on the sidelines of next week's G20 summit in Buenos Aires. This week, the United States trade representative updated its Section 301 investigation and found that China "has not basically changed its unfair, unreasonable and market distorting practices." China fired back that the charges were baseless and totally unacceptable. If the two sides are unable to come to an agreement next week, US tariffs on Chinese imports are likely to rise to 25% at the turn of the year from 10% today.



Worldwide slowdown casts doubt over 2019 Fed hikes

Expectations that the US Federal Reserve will

raise interest rates twice in 2019 are beginning to fade, as evidence of a global economic slowdown mounts. While the Fed is still expected to hike next month, the picture has become less clear for next year. Though US growth remains fairly strong and healthy, the pace of global growth continues to slow. In fact, flash European purchasing managers' indices deteriorated to their lowest levels since late 2014, and falling crude oil prices are signaling weakening demand in addition to a supply overhang. Financial markets have been wrestling with the conversion from a decade of highly agreeable financial conditions to tighter conditions worldwide, as doubt on the global trade front has dented investors' confidence. Against this setting, the Organization for Economic Co-Operation and Development lowered its 2019 global growth outlook to 3.5% from an earlier 3.7% forecast.



EU moves to chastise Italy over budget

The EU has once again rejected Italy's proposed 2019 budget and has begun an extreme shortage procedure which subjects Italy to fines equaling 0.2% of its gross domestic product. Italy's leaders are calm and confident by the threats, vowing to make good on campaign promises of a universal basic income, cutting taxes and lowering the retirement age.

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EARNINGS NEWS

With more than 90% of the constituents of the S&P 500 Index having reported earnings for

the third quarter, it is shaping up to be another excellent quarter, very much in line with the outstanding performance during first two quarters of 2018. Blended earnings per share have shown a 25.7% year-over-year rise, while sales have expanded by 9.4% compared with the same quarter a year ago, down a little from the 10% topline growth rate posted during the first two quarters of the year. However, increasing headwinds from slowing global economic growth are raising concerns that Q3 could be the peak quarter for earnings this cycle.

MAJOR STOCK MOVES

Shares of retailers Macy's Inc. M Target Corp. TGT and Best Buy Co Inc. BBY are in focus as Black Friday sales kickoff. Macy's stock fell 1.8%, while Target shares were down 2.8%, and Best Buy stock was up roughly 0.7%.

Retail trade was one of the Dow's bright spots Friday, after data from Adobe Analytics showed strong growth in online shopping Thanksgiving Day. Walmart Inc. WMT shares rose 1% Friday, while Walgreens Boots Alliance Inc. WBA stock advanced 1.3%.

Shares of energy-related firms were under pressure Friday, as the price of oil was down 6% on the day and more than 21% in November, so far. Marathon Oil Corp. MRO shares fell 4.6%, TechnipFMC Plc FTI stock retreated 4.2%, Devon Energy Corp. DVN stock fell 5.7%, and shares of Concho Resources Inc. CXO shed 6.3%.

Rockwell Collins COL shares rallied 9.2% Friday, after Reuters reported that Chinese market regulator has given conditional approval to United Technologies Corp.'s UTX takeover bid.





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THE WEEK AHEAD

Date	Country/Area	Release/Event
Sun, Nov 25	Eurozone	EU Brexit summit
Wed, Nov 28	United States	Q3 GDP, new home sales
Thu, Nov 29	United States	Personal income/spending, FOMC minutes
Fri, Nov 30	Japan	CPI, industrial production, unemployment
Fri, Nov 30	China	Manufacturing purchasing managers' index
Fri, Nov 30	Eurozone	CPI, unemployment



WOMEN AND FINANCIAL STRATEGIES

Most women don't shy away from the day-to-day financial decisions, but some may be leaving their future to chance. [Click to learn more.](#)

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