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WEEK IN REVIEW

STOCKS DECLINE AFTER DISAPPOINTING JOBS REPORT

Review of the week ended March 8, 2019

- **ECB reverses major policy**
- **US February job growth slows**
- **US annual trade deficit at all-time high**
- **OECD lowers global growth expectations**
- **Brexit deal defeat expected Tuesday**



U.S. stocks finished lower Friday for a fifth session in a row, with the Dow notching its longest losing streak since June, after a disappointing jobs report and a slump in Chinese exports added to concerns about slowing global growth.

The Dow Jones Industrial Average DJIA bounced off intraday lows to slide 22.99 points, or 0.1%, to 25,450.24. The S&P 500 index SPX shed 5.86 points, or 0.2%, to 2,743.07, its worst string of losses since November, and the Nasdaq Composite Index COMP dropped 13.32 points, or 0.2%,

to 7,408.14, marking its weakest stretch since April.

For the week, both the Dow and the S&P 500 fell 2.2% and the Nasdaq declined 2.5%.

The five-session skid for the Dow was its lengthiest since an eight-session skid ended June 21, the decline for the S&P 500 was its longest, also at five days, since a similar streak ended Nov. 14. For the Nasdaq, the five days of losses represented its longest skid since April 25.



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ECB broadcasts new stimulus measures

In response to a global economic slowdown, the European Central Bank revealed plans for fresh measures to stimulate the Eurozone's slowing economy. This comes less than three months after the central bank phased out a \$2.9 trillion bond-buying program. The ECB announced that in September it will launch a new series of targeted long-term refinancing operations (TLTROs) — cheap long-term loans for banks — and keep interest rates steady through 2019 or beyond if necessary. The ECB has taken a more aggressive stance than expected and is the first major developed-country central bank to ease policy amid a softening global economy. The Eurozone's economy grew 1.1% year over year in Q4 2018, down from 1.6% in Q3.

US hiring growth slowed considerably in February

In February, job growth slowed significantly, with US nonfarm payrolls rising only 20,000 despite the unemployment rate falling to 3.8%; economists had expected jobs to grow by 180,000. While February's job growth data were disappointing, the aggregation of January's and February's change in nonfarm payrolls averaged out at 165,000, close to the business cycle's average. Meanwhile, average hourly earnings advanced 3.4% year over year versus expectations of 3.2%. Immediately

following the jobs report, 10-year Treasury yields fell to 2.61% and the S&P 500 Index declined 0.8%.



US annual trade deficit expands to a historically high level

Despite US President Donald Trump's efforts to narrow it, the US annual trade deficit in goods grew 10% in 2018, the widest on record; with services included, the deficit grew 12%. Imports rose 7.5% due to fast economic growth while exports grew by only 6.3% as some exports, such as soybeans and other farm products, were disrupted by retaliation against US trade policies. While the rest of the world experienced an economic slowdown in 2018, US economic growth remained strong, with a rising US dollar and increased fiscal stimulus. This boosted consumer and business spending in foreign goods, contributing to the widening of the trade gap.

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OECD cuts global growth projection again

The Organization for Economic Cooperation and Development forecasts that the global economy will grow 3.3% in 2019 and 3.4% in 2020, which are down 0.2% and 0.1%, respectively, from November's forecast. The organization says said that the global economy is suffering more than expected from political uncertainty and ongoing trade tensions, which in particular are contributing to the persistent weakness in Europe and China. Both regions have lowered their growth expectations, with the ECB forecasting 1.1% growth this year — down from its 1.7% forecast in December — and China lowering its economic growth target to between 6% and 6.5%.



UK government expects to lose Tuesday vote on Brexit withdrawal agreement

Government sources believe that Theresa May will likely lose a vote on the Brexit withdrawal agreement on Tuesday. If the measure is

defeated, Parliament will vote on whether to take "No Deal" off the table on Wednesday, and a vote to extend the Article 50 period — delaying the United Kingdom's departure — will follow if Parliament does vote against a "No Deal" Brexit. Meanwhile, the House of Lords this week voted in favor of an amendment that would keep the UK in a customs union with the EU. This could be overturned by the House of Commons, but a vote would need to take place for that to occur.



Chinese exports fell abruptly in February amid economic slowdown

China recorded a sharp decline in exports of 20.7% year over year in February after exports rose 9.1% in January; economists had expected a much smaller drop. In conjunction, imports fell 5.2% following a previous decline of 1.5%. The decline in exports and imports narrowed China's trade surplus to \$4.12 billion, significantly down from \$39.16 billion in January. The disappointing trade data are attributed to weaker global demand and distortions from the Lunar New Year holiday. Some economists believe that the weaker outlook is due to China's economic slowdown rather than the ongoing trade dispute with the United States.

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THE WEEK AHEAD

Date	Country/Area	Release/Event
Mon, Mar 11	United States	Retail sales
Tue, Mar 12	United Kingdom	Industrial production, trade balance
Tue, Mar 12	United States	Consumer Price Index
Wed, Mar 13	Eurozone	Industrial production
Thur, Mar 14	Canada	New Housing Price Index
Thur, Mar 14	United States	New home sales
Fri, Mar 15	Japan	BOJ interest rate decision
Fri, Mar 15	Eurozone	Consumer price index
Fri, Mar 15	United States	Industrial production



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