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WEEK IN REVIEW INVESTORS EXPECT US-CHINA TRADE TALKS

Review of the week ended November 30, 2018

- **Trump and Xi will meet in Buenos Aires**
- **Fed's Powell states rates are just below neutral mark**
- **EU approves Brexit deal**
- **Oil takes a dip below \$50**

This update corrects the ticker for the Dow Jones Industrial Average and the percentage for the S&P 500 index.

Stocks ended higher Friday, with the S&P 500 index and the Nasdaq notching their best week in nearly seven years, after upbeat comments from a U.S. trade official who suggested that some sort of a trade deal is possible during a meeting between President Donald Trump and Chinese leader Xi Jinping at the G-20 summit in Argentina.

The S&P 500 index SPX climbed 22.41 points, or 0.8%, to 2,760.17, while the Nasdaq Composite Index COMP gained 57.45 points, or 0.8%, to 7,330.54. The Dow Jones Industrial Average YMZ8 rose 199.62 points, or 0.8%, to 25,538.46 after being down by as much as 72 points at the open.

Both the S&P 500 and the Nasdaq logged their best weekly performance since December 2011 while the blue-chip index posted its

strongest week since November 2016.

MACRO NEWS

Market expects impactful G20 meeting

Leaders of the world's major economies are gathering this week in Buenos Aires for their annual summit. However, two meetings on the sidelines of the event are likely to dominate news coverage of it. The first is a meeting between US president Donald Trump and China's president Xi Jinping to try to lay the groundwork for a ceasefire in the ongoing trade war between the two countries.

Investors hope the two sides will reach enough common ground to discourage the United States from increasing tariff rates on Chinese imports in early 2019 and adding levies on still more categories of goods. It is hoped a negotiating framework will be agreed to, setting the stage for intensive discussions. However, China's hesitance to alter its state capitalism model could be a major stumbling

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block in advancing the negotiations. The second high-profile meeting will be among OPEC members and other oil producers such as Russia. One meeting that will not be happening is the one previously scheduled between Russian president Vladimir Putin and President Trump. Trump canceled the meeting in reaction to Russia's seizure of three Ukrainian warships and their crews.



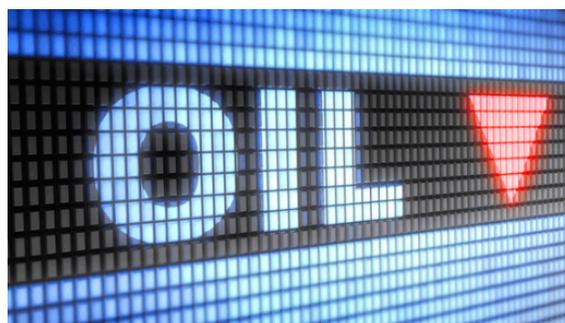
Fed clouds water on rate hike timing

The US Federal Reserve has appeared to be on autopilot for the past two years, raising rates on a quarterly basis except in September 2017, when it announced plans to shrink the balance sheet. But minutes of the November meeting of the Federal Open Market Committee released this week indicate the Fed might switch off the cruise control after another rate hike in December. Some FOMC members expressed doubt over the timing of additional hikes while a few pointed to slowing global growth, the effects of trade policies and US dollar strength as downside risks. Markets have begun to price in fewer rate hikes, with only two additional hikes fully anticipated at present, well below the Fed's current middle point forecast for five more. Earlier in the week markets were boosted by comments from Fed chairman Jerome Powell, who said rates are approaching a range the central

bank judges to be neutral for the economy, which investors interpreted as a sign that the tightening cycle may be nearing an end in the next few quarters.

Brexit deal up for a vote in UK Parliament

The European Union signed off on the Brexit agreement with the United Kingdom on Sunday and now the deal faces approval by the British Parliament on December 11. If lawmakers do not approve the agreement, the odds of a disorderly Brexit process will increase significantly. An analysis released this week by the Bank of England projects that in the case of an untidy Brexit, the UK economy will contract by 8% in the immediate aftermath. The central bank predicts a nearly 33% decline in house prices, a 48% dive in commercial real estate values and a 25% slump in the value of the pound.



Oil falls below \$50 a barrel

US benchmark West Texas Intermediate crude oil prices fell below \$50 a barrel this week despite talk of a significant production cut from OPEC plus Russia. Falling oil prices were once a tailwind for the US economy but now that the country is the world's largest producer, falling prices cut both ways. Big

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swings in capital expenses in reaction to the price of oil can impact the overall US economy. Oil production's geographic concentration can also have a substantial impact on state and local economies. The price of oil will be a focus, along with trade, at this weekend's G20 summit, with Saudi Arabia expected to bear the brunt of any production cuts.

More signs of weakness in worldwide growth

Among the gathering signs of weakening global growth this week was China's official manufacturing PMI (Purchasing Managers' Index) dropping to 50 in November, a 28-month low. Meanwhile, Eurozone economic confidence fell for an 11th-straight month, to the lowest level since May 2017, while two



MAJOR STOCK MOVES

Shares of Marriott International Inc. MAR slid 5.5% after the hotel management company said that it encountered a data breach affecting hundreds of millions of its customers.

GameStop Corp. GME tumbled 7.6% after the company issued weak full-year guidance for 2018. The stock is down 26% on the year.

Workday Inc. WDAY shares rallied 13% following a third-quarter earnings report that beat Wall Street expectations. These beats helped convince Stifel Nicolaus to raise its price target for the stock from \$150 to \$160.

Shares of Laboratory Corp. of America Holdings LH slumped 10% after the company cut its full-year 2018 guidance.

PVH Corp. PVH stock rose 0.4% after the Calvin Klein parent company reported third-quarter earnings above analysts' estimates and raised its full-year 2018 guidance.



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THE WEEK AHEAD

Date	Country/Area	Release/Event
Sat, Dec 1	United States/ China	Trump-Xi trade negotiations
Mon, Dec 3	Global	Manufacturing purchasing managers' indices
Tue, Dec 4	Australia	Reserve Bank interest rate decision
Wed, Dec 5	Global	Service-sector PMIs
Wed, Dec 5	Canada	Bank of Canada interest rate decision
Wed, Dec 5	United States	Fed's Beige Book
Wed, Dec 5	United States	Fed's Beige Book
Fri, Dec 7	United States	Employment report



TYPES OF STOCK MARKET ANALYSIS

Most stock market analysis falls into three broad groups: Fundamental, technical, and sentimental. Here's a look at each. [Click to learn more.](#)

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