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**2019 Outlook**

Investors are correct in thinking 2018 was an unusual year for the markets. We started off with nice returns in January with expectations of high corporate growth and ended the year with negative returns and with extremely negative sentiment. This is highly unusual because corporate earnings grew about 23% in 2018, when initially the expectation was for about 11% growth. So why the selloff with such strong economic fundamentals? In a word, fear.

The market new all of the potential risks throughout the year: China trade war, slowing earnings growth in 2019, slower GDP growth, further Fed hikes, and slowing world economies, yet the market continued higher and peaked in September. The market shrugged off all of the concerns, no problem. Three months later investors had acted as if all the risks had actually happened. Recession talk came back into the headlines in a big way also.

Here is the thing though, slowing growth and slowing growth rates are not the same. Corporate earnings and our economy are expected to grow in 2019, just not at 2018’s rapid pace. The key fundamentals are more bullish for stocks now then anytime all year in 2018. The ten-year yield dropped to 2.65% and the Fed became more dovish (less likely to keep raising rates), both of which support higher equity prices. Also, going into year two of a trade war with China makes it more likely that a resolution is on the way.

The positives for the economy are:

1. we still have historically low interest rates
2. global economic indicators predict world GDP of 3.6% in 2019 (strong but slower than 2018’s 3.7%)
3. the job market is hot with average hourly earnings steady even with new jobs created.
4. markets are pricing in a recession even though it is unlikely
5. fundamentals (which are strong) define the direction of asset prices, not sentiment

While it was a down year for the market, our proprietary **Maverick Momentum Models** (**MMM**) performed very well in 2018, beating the benchmark in all categories. Managing potential selloffs is always challenging. We understand behavioral finance. We know when to **buy and sell**. We have a process for decision making that is void of emotion, allowing us to capture **growth** to the upside and **protect** portfolios from extreme downside risk.

With political gridlock in 2019 new sectors could emerge as winners. While the Information Technology and Consumer Discretionary sectors should continue to do well and outperform near term, Healthcare, Energy, and Utilities could offer later opportunities.

George Panopoulos