



Down the Rabbit Hole

"...To enter into a situation or begin a process or journey that is particularly strange, problematic, difficult, complex, or chaotic, especially one that becomes increasingly so as it develops or unfolds..." -- thefreedictionary.com

We couldn't think of a more fitting title to this week's note, given the manic news flow surrounding Chinese trade negotiations coupled with market's fickle response to Fed messaging, concerns over a hard BREXIT and the irrefutable slowdown in global growth. Although a fair amount of economic data has been supportive of markets over the last few days (retail sales, Empire State/Philly Fed surveys), the yield curve once again inverted, compelling the talking heads on Bloomberg/CNBC and others to suggest that a recession is afoot...but not for another 12-18 months (always hedging).

Investors relying on the Federal Reserve to guard against economic softness or market weakness may get their wish in the near term. Jerome Powell's much anticipated Jackson Hole speech not only hinted to support of additional the "mid-cycle adjustment" from a few weeks back, but also added further caution surrounding several of the geopolitical/economic risks we have already mentioned.

Some pundits are drawing parallels to the mid-90's (as did Powell this morning), when the US (along with several other central banks) cut policy rates to keep the expansion from ending. Starting in July 1995 through March 1996, the Fed cut rates by 0.75%, through what is now coined as the "mid-cycle adjustment" of the mid-90's. We too, believe there are many similarities between now and then; for example, President Clinton was running for re-election, the US was exhibiting solid employment trends, and the stock market was for bid, which ultimately lead to then Chairman Greenspan's famous quote "irrational exuberance."

But Chairman Powell also reminded listeners of other events in the '90 that didn't bode too well for capital markets:

"...In 1998, the Russian debt default and the related collapse of the hedge fund Long-Term Capital Management rocked financial markets that were already fragile from the Asian financial crisis. Given the risks posed to the U.S. economy, the FOMC again lowered the federal funds rate over a period of months until events quieted..."

So while the consumer seemingly remains strong, and employment trends solid, we believe the equity market (stocks) will remain volatile into the back-half of 2019. Investors should be prepared for more unknown unknowns.



Disclosure: The information in this publication and references to specific securities, asset classes and financial markets are provided for illustrative purposes and do not constitute an offer to sell, or solicitation of an offer to purchase, any securities, nor does they constitute an endorsement with respect to any investment area or vehicle. This material serves to provide general information to clients and is not meant to be legal or tax advice for any particular investor, which can only be provided by qualified tax and legal counsel. Certain information contained herein is based on outside sources believed to be reliable, but its accuracy is not guaranteed. Investment products (other than deposit products) referenced in this material are not insured by the FDIC (or any other state or federal agency), are not deposits of or guaranteed by Northeast Private Client Group, and are subject to investment risk, including the loss of principal amount invested. Portfolios are subject to investment risks, including possible loss of the principal amount invested. In addition, foreign investments may be less liquid, more volatile and less subject to governmental supervision than in the United States. The values of foreign securities can be affected by changes in currency rates, application of foreign tax laws, changes in governmental administration and economic and monetary policy. Investors should consider the investment objectives, risks, charges, and expenses of ETFs carefully before investing. This and other information are contained in the fund's prospectus, which may be obtained from your investment professional. Please read it before you invest. Investments in ETFs are subject to risk, including possible loss of the principal amount invested. This information is being provided to current Northeast Private Client Group clients and should not be further distributed without Northeast Private Client Group's approval. S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service-oriented firms. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Each company's security affects the index in proportion to its market value. This commentary contains forward-looking statements and projections. Actual results may differ from current expectations based on a number of factors including but not limited to changing market conditions, leverage and underlying asset performance. Northeast Private Client Group makes no representation or warranty, express or implied that this information shall be relied upon as a promise or representation regarding past or future performance. This material contains the current opinions of the author but not necessarily those of Guardian or its subsidiaries and such opinions are subject to change without notice. Past performance is not a guarantee of future results. Indices are unmanaged, and one cannot invest directly in an index. Data and rates used were indicative of market conditions as of the date shown. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. Securities products and advisory services offered through Park Avenue Securities LLC (PAS), member FINRA, SIPC. OSJ: [200 Broadhollow Road Suite 405, Melville, NY 11747](#), 631-589-5400. PAS is an indirect, wholly-owned subsidiary of The Guardian Life Insurance Company of America® (Guardian), New York, NY. Northeast Private Client Group is not an affiliate or subsidiary of PAS or Guardian. 2019- 84949 Exp. 11/19