

Market Recap for the Week Ending 03/15/2019

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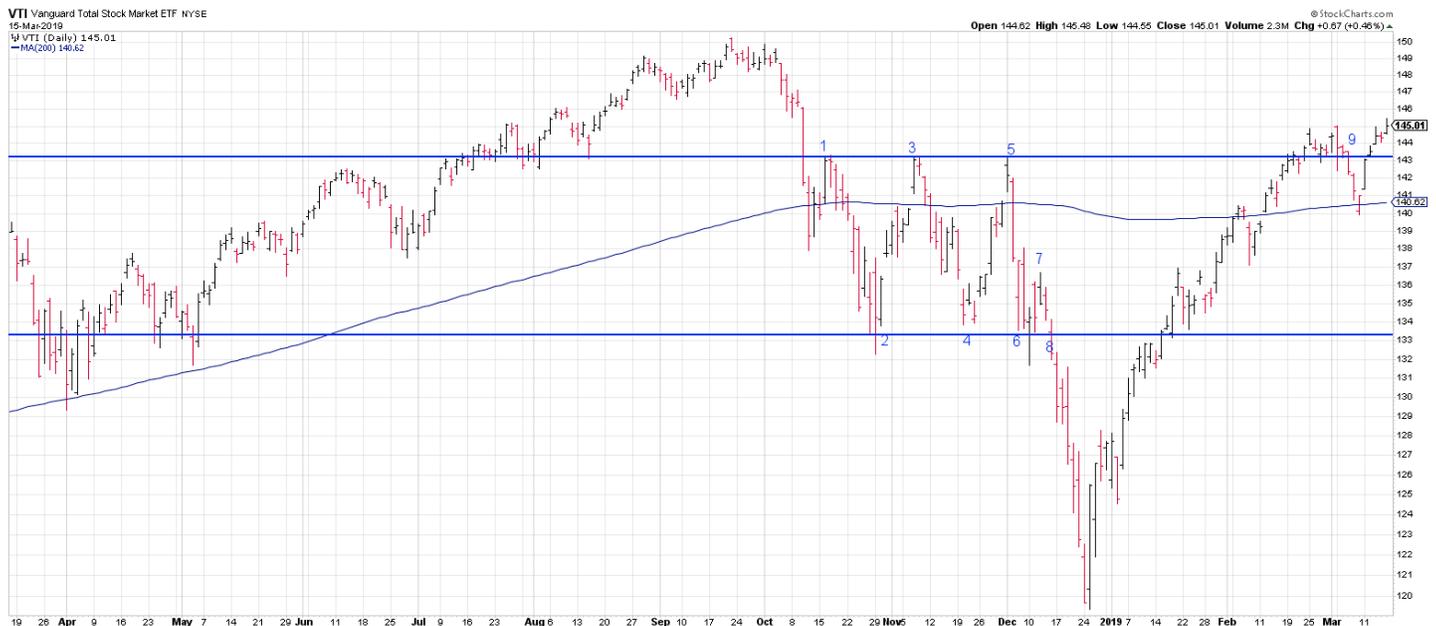
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## HIGHLIGHTS

- The market reclaimed the high ground as US equities jump by 2.85% and international stocks were up by 2.79%.
- The Fed's neutral policy on interest rates and a stop in the decline of earnings estimates are providing a tailwind to equities.
- Brexit mayhem continues.
- Twelve Republicans had the guts to vote with Democrats to block Trump's "emergency" funding of his wall. Trump vetoed the bill.

## MARKET RECAP

In last week's commentary, we wrote that the market had displayed some negative technical signals when US equities fell below the 200-day moving average and the VTI (US total stock market) had fallen back below the support (formerly resistance) line it had broken through the week before. This week, stocks reclaimed the high ground on a big Monday move, followed by advances on Tuesday, Wednesday and Friday. For the week, US stocks were up by 2.85%. International stocks increased by 2.79%. Bond rose by 0.25%.



While economic indicators have been on the slowing side, stocks now have two backdrops that are acting as tailwinds. First, the Fed's shift from drive to neutral has put the breaks on fears of higher interest rates. Lower

rates, all other things equal, increase the attractiveness of equities. Second, the constant decline in profit estimates, that has been going on since about September 7, might be coming to an end. This week, 2019 estimates dropped by only one cent to \$167.93 and 2020 estimates actually went up by one cent to \$188.05. All in all, since the September 7 peak, earnings estimates for 2019 have declined by 6.1%.

S&P 500 INDUSTRY ANALYST ESTIMATES			
BOTTOM UP			
DATE	2018	2019	2020
09/07/18	162.19	178.90	194.58
09/14/18	162.25	178.85	194.60
09/21/18	162.19	178.86	194.82
09/28/18	161.91	178.43	195.41
10/05/18	161.85	178.45	195.65
10/12/18	161.79	178.48	195.68
10/19/18	161.81	178.42	195.42
10/26/18	161.99	178.30	195.22
11/02/18	162.67	177.69	194.55
11/09/18	162.65	177.25	194.88
11/16/18	162.79	176.86	195.30
11/23/18	162.79	176.34	194.82
11/30/18	162.75	176.15	194.47
12/07/18	162.70	176.25	194.61
12/14/18	162.66	175.60	194.19
12/21/18	162.51	174.61	193.62
12/28/18	162.14	173.90	193.31
01/04/19	162.00	173.63	192.96
01/11/19	161.68	172.04	191.32
01/18/19	161.56	171.34	190.32
01/25/19	161.28	170.68	189.72
02/01/19	161.49	169.60	189.50
02/08/19	162.00	169.07	189.00
02/15/19	162.04	168.82	188.96
02/22/19	161.97	168.37	188.30
03/01/19	161.71	168.12	188.08
03/08/19	161.66	167.94	188.04
03/15/19	162.03	167.93	188.05

## BREXIT

Theresa May's proposed Brexit deal with the EU failed to be ratified by the British Parliament on Tuesday, that left four options. First, the default outcome would be a hard Brexit that would result in an almost certain severe negative economic outcome. Another option is that Brexit is further postponed, that would have to be approved by the EU. A third option would be to make adjustments to Mrs. May's proposal before the deadline. A final option is another referendum to see if voters really want to Brexit given what they know now.

A hard Brexit will have a major impact on trade with Europe that has been developed over decades. A hard border would be reimposed with Northern Ireland.

A vote by the Parliament on Wednesday showed a majority against a hard Brexit. On Thursday, Parliament voted to delay Brexit by three months, which would need EU approval. Mrs. May will meet with the EU leaders this Thursday to discuss the terms of a postponement, which will require approval from all of the EU members.

## **CONGRESS VOTES TO BLOCK EMERGENCY FUNDING FOR TRUMP'S WALL**

Twelve Republican Senators had the guts to vote with Democrats and block the funding for Trump's wall. Trump vetoed the bill, and unless some Senators flip, an override does not look possible. Trump had declared a "national emergency" to secure the funding, a violation of the separation of powers, contrary to historical conservative principles, and a terrible precedent that will come back to sting the Republicans and the nation the next time the Democrats win the Presidency. It was very short-term thinking for political reasons instead of making a smart, long-term decision for the sake of the nation and the constitution. We commend the twelve Senators who did the right thing.

## **SCOREBOARD**

PERFORMANCE	VTI	SPY	VXUS	AGG	\$	OIL
3/15/2019	US Market	SP500	Intl (x-US)	Bonds	US\$	Crude
Week	2.85%	2.50%	2.79%	0.25%	-0.53%	4.64%
March 2019	1.08%	0.94%	1.22%	0.84%	0.06%	2.80%
February 2018	3.56%	3.24%	1.63%	-0.11%	0.17%	0.07%
January 2019	8.54%	8.01%	7.67%	0.91%	-0.98%	18.78%
YTD	13.62%	12.56%	10.76%	1.65%	-0.30%	29.53%
2018	-5.21%	-4.56%	-14.43%	0.10%	4.08%	-20.62%
2017	21.21%	21.70%	27.45%	3.61%	-7.81%	12.47%
2016	12.83%	12.00%	4.81%	2.41%	2.41%	33.48%
2015	0.36%	1.25%	-4.19%	0.48%	7.19%	-29.70%
2014	12.54%	13.46%	-4.74%	6.00%		-43.92%
2013	33.45%	32.31%	14.61%	-1.98%		0.47%

All returns include dividends. CL1:Com is the WTI Crude Generic 1st Future/Bloomberg, BUXY is the WSJ Dollar Index.

RATES	3m	2-YR	10-YR	30-YR	2-10	HY OAS
3/15/2019	2.45%	2.43%	2.59%	3.02%	0.16%	3.95%
3/8/2019	2.46%	2.45%	2.62%	3.00%	0.17%	4.10%
2/28/2018	2.45%	2.52%	2.73%	3.09%	0.21%	3.92%
12/31/2018	2.45%	2.48%	2.69%	3.02%	0.21%	5.33%
12/31/2018	2.45%	2.48%	2.69%	3.02%	0.21%	5.33%
Δ for Week*	(1.00)	(2.00)	(3.00)	2.00	(1.00)	(15.00)
Δ for Month*	0.00	(9.00)	(14.00)	(7.00)	(5.00)	3.00
Δ for Quarter*	0.00	(5.00)	(10.00)	0.00	(5.00)	(138.00)
Δ YTD*	0.00	(5.00)	(10.00)	0.00	(5.00)	(138.00)

\*Δ is measured in basis points; 2-10 refers to the spread between the 10 & 2-yr bonds.

HY OAS - Merrill Lynch US High Yield Option-Adjusted Spread.

Year	Earnings	SPX	P/E
2020 Estimate	188.05	2,822.48	15.01
2019 Estimate	167.93	2,822.48	16.81
2018 Estimate	162.03	2,822.48	17.42
2017	132.00	2,604.47	19.73
2016	118.10	2,238.83	18.96
2015	117.46	2,043.94	17.40
2014	118.78	2,058.90	17.33
2013	109.68	1,848.36	16.85
2012	103.80	1,426.19	13.74
2011	97.82	1,257.60	12.86
2010	85.28	1,257.64	14.75
2009	60.80	1,115.10	18.34
2008	65.47	903.25	13.80
2007	85.12	1,468.36	17.25
2006	88.18	1,418.30	16.08
2005	76.28	1,248.29	16.36
2004	67.10	1,211.92	18.06

The SPX (S&P 500) price is as of year-end for the period indicated except for the current year and next year which show the SPX price as of Friday. All earnings and estimates are per Thomson Reuters I/B/E/S as of the current month. Remember the p/e for this year and future years are based on forward ESTIMATES, whereas past years p/e were calculated based on trailing earnings. Also, forward estimates are usually revised downward over time.

ECONOMY	GDPNow	NowCast	BEA*
Q1 2019 Estimate	0.40%	1.37%	
Q1 2019 Δ for Week		-0.03%	
Q4 2018	1.80%	2.26%	2.60%
Q3 2018	3.60%	2.18%	3.40%
Q2 2018	3.80%	2.78%	4.20%
Q1 2018	2.30%	2.97%	2.20%
Q4 2017	3.40%	3.88%	2.90%
Q3 2017	2.50%	1.60%	3.20%
Q2 2017	2.80%	2.09%	3.10%
Q1 2017	0.20%	2.70%	1.40%
Q4 2016	2.90%	2.10%	2.10%
Q3 2016	2.10%	2.20%	3.50%
Q2 2016	1.80%	2.10%	1.40%
Q1 2016	0.60%	0.72%	0.80%

\*Bureau of Economic Analysis is the official government estimate.

TREND	VTI	SPY	VXUS	AGG
1-Year	Up	Up	Down	Up
6 Months	Down	Down	Down	Up

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**Past performance does not guarantee future results.**

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