



WEALTH NEWS

Market Recap for the Week Ending 03/09/2019

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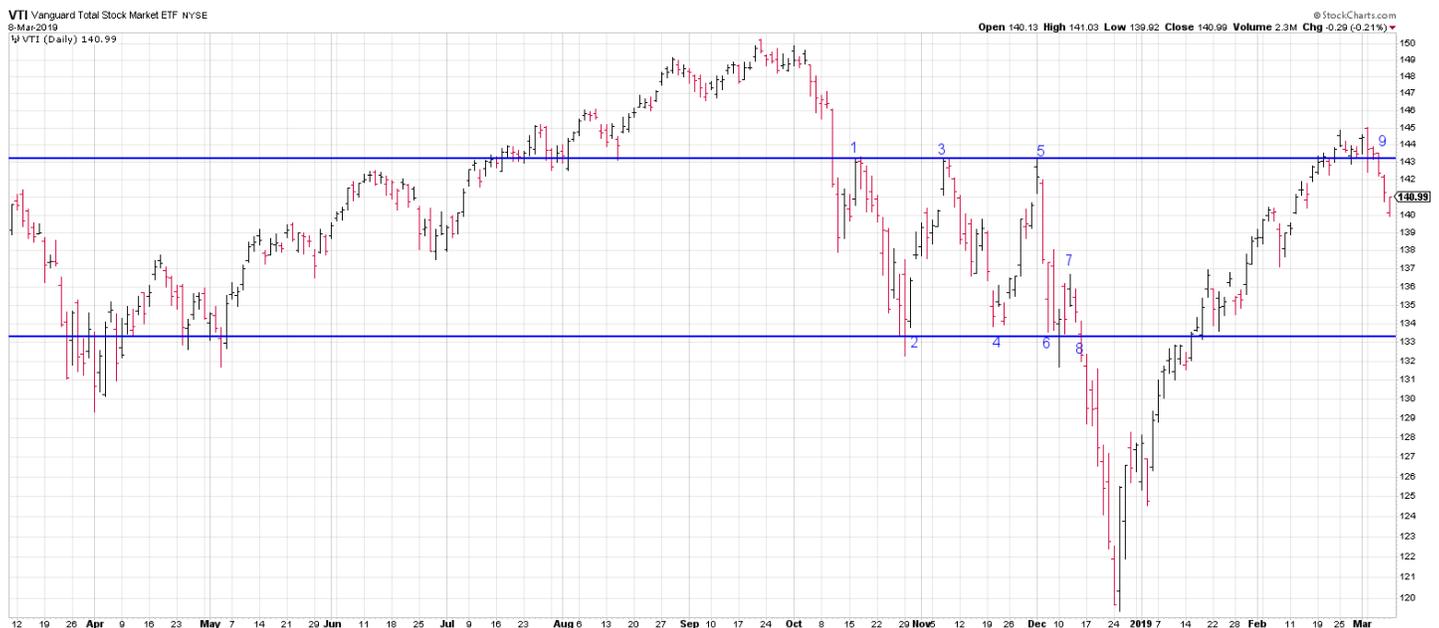
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HIGHLIGHTS

- US stocks were down by 2.38% and international stocks dropped by 1.80%.
- Negative technical signs for US equities.
- Only 20,000 jobs added in February.
- Interest rate policy turns dovish worldwide.
- The deficit is really exploding.
- Tariff costs are being borne by US consumers.

MARKET RECAP

Stocks fell by 2.38% in the US and 1.80% x-US. Bonds advanced by 0.75%. US stocks fell below their 200-day moving average. Looking at a chart of the VTI (total stock market), last week prices broke through the resistance level set at points 1, 3, and 5 (see chart below) from the 4th quarter of last year, but this week they could not hold that level and fell back below the resistance line (see 9). That is what technicians call an "upthrust", when a stock or fund moves above resistance and then quickly reverses and moves back below resistance. The upthrust move and dropping below the 200-day average are negative technical signs. Stocks were in an overbought condition, so a sell-off is not a big surprise, so far it has been mild. We showed a couple of weeks ago a similar set-up in 2011 to the current market when stocks dropped 10%. But the market constantly surprises so anything can happen.



PAYROLLS

Only 20,000 jobs were added in February, the weakest report since March of 2011, assuming future revisions don't change it. There is some belief that there are errors in the data as a result of the government shutdown. Taking 20,000 as a standalone number, the report was weak. However, if you look at the last 2 or 3 months as an average, the numbers look healthy. The unemployment rate decreased to 3.8%. Year over year, average hourly earnings were up by 3.4%.

INTEREST RATES

In the span of just a few months central bank interest rate policy has turned dovish worldwide. The ECB downgraded its forecast for Eurozone GDP growth from 1.7% to 1.1% for 2019. They now plan to keep interest rates at current levels through the end of the year. That is longer than was originally planned. The ECB also said they would begin issuing inexpensive long-term loans in September and the program would run through March of 2021. China has also begun issuing loans to companies to promote growth. This follows the Fed's announcement that they would put the break on interest rate increases for the time being. In a low-interest rate world, equities generally become more attractive.

DEFICIT

The US government deficit soared by 77% for the first four months of the fiscal year to \$310 billion. Federal outlays were up by 9% and receipts were down by 2%. The outflow was due to higher spending on the military, veteran affairs and interest on the debt. Receipts fell because of lower corporate and individual income-tax collections. Keith Hall, Director of the non-partisan Congressional Budget Office (CBO) said: "It's hard to imagine this is sustainable."

Beginning in 2022, the CBO expects deficits in excess of \$1 trillion and will average 4.4% of GDP, compared to 2.9% in the previous 50 years. Expect tax increases in the next few years.

TARIFFS

A study by economists has pegged the cost of the US trade tariffs to consumers at \$69 billion. That counters the White House argument that the cost of the tariffs are paid for by foreign countries. Overall, combining costs and benefits, the tariffs have cost the US economy \$6.4 billion. The Centre for Economic Policy study stated that "We find that the U.S. tariffs were almost completely passed through into U.S. domestic prices."

Tariffs have also impacted world trade, leading to a slowing global economy. Chinese exports fell by 20.7% year over year in February and auto sales dropped by 18.5%.

SCOREBOARD

PERFORMANCE	VTI	SPY	VXUS	AGG	\$	OIL
3/9/2019	US Market	SP500	Intl (x-US)	Bonds	US\$	Crude
Week	-2.38%	-2.13%	-1.80%	0.75%	0.42%	0.74%
March 2019	-1.72%	-1.51%	-1.53%	0.59%	0.60%	-1.76%
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	10.47%	9.82%	7.75%	1.39%	0.23%	23.79%
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
3/9/2019	2.46%	2.45%	2.62%	3.00%	0.17%	4.10%
3/1/2019	2.44%	2.55%	2.76%	3.13%	0.21%	3.92%
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*	2.00	(10.00)	(14.00)	(13.00)	(4.00)	18.00
Δ for Month*	1.00	(7.00)	(11.00)	(9.00)	(4.00)	18.00
Δ for Quarter*	1.00	(3.00)	(7.00)	(2.00)	(4.00)	(123.00)
Δ YTD*	1.00	(3.00)	(7.00)	(2.00)	(4.00)	(123.00)

*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	188.04	2,803.69	14.91
2019 Estimate	167.94	2,803.69	16.69
2018 Estimate	161.66	2,803.69	17.34
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	0.50%	1.40%	
Q1 2019 Δ for Week		0.52%	
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

Past performance does not guarantee future results.

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