GLOBAL VIEW CAPITAL MANAGEMENT

COMMENTARY December 7, 2018

BUCKLE UP!

Our last update was on 10/26/18 when we conveyed that the majority of our GVCM strategies had gone into "defensive mode" just days earlier. At the time, we believed the U.S. equity markets were oversold in the short-term and overdue for a bounce ... a bounce that could take the S&P 500 up 100 points to the 2770-2780 level. In fact, the S&P 500 did rally over the course of the next 8 trading days to close at 2813.89 (+6.6%). But the winds of change were certainly blowing. The stock market was definitely losing its leadership and morphing into something different than investors had experienced over the last few years.

Fast forward six weeks and the major blue-chip averages are basically trading at the same level as late-October: "what the market giveth, the market taketh away." The violent rallies to the upside followed by immediate and equally-violent downside capitulations are NOT indicative of a healthy equity environment. This tug-of-war between the Bulls and the Bears historically has signaled a change in trend.

In the midst of all of this frenetic trading, we now have bearish "Death Crosses" flashing warning signs on almost all of the major indices. The "Death Cross" is Wall Street technical jargon for a chart pattern where the 50-Day Moving Average (short-term) trends down and penetrates the 200-Day Moving Average (long-term) [see Chart below]. In short, the "Death Cross" is bearish while its contra-cousin, the "Golden Cross", is bullish. Currently, only the Dow Jones Industrial Average and S&P 500 Index have yet to trigger a "Death Cross."

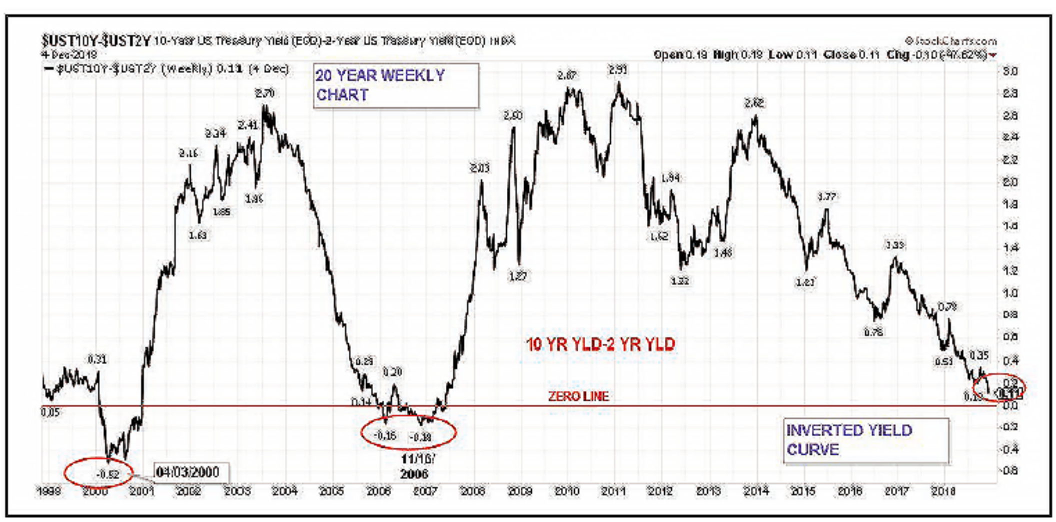
At A Glance

Status: **Asset Class**

- Defensive: U.S. LARGE CAP EQUITY
- Defensive: U.S. MID CAP EQUITY
- Defensive: U.S. SMALL CAP EQUITY
- Defensive: DEVELOPED INTERNATIONAL EQUITY
- Defensive: EMERGING MARKETS EQUITY
- Defensive: LEADING EDGE EQUITY
- Neutral: FIXED INCOME

POSITIVE NEUTRAL DEFENSIVE

Over the past several weeks, two issues have been on the minds of investors: 1) Is the Powell-led Fed tightening too much, too fast?; and 2) Will this U.S/China trade war derail the global economies and the markets? Well, over the past week, financial markets were treated to a more accomodating Fed when Powell & Co. took the anticipated rate hikes in 2019 potentially off the table. And news of a Trump-Xi truce over the weekend eased investors minds ... for a day. Now, the expectation of an inverted yield curve (see below) has investors worried of recession. It has been noted in the financial media, ad nauseum, that an inverted yield curve always precedes a recession. However, historically, that lead time is anywhere from 6-24 months.



In other words, investors are confused and the emotions of fear and greed continue to wreak havoc on the markets. Fortunately, our tactical signals ignore emotions. Will this be a "run of the mill" decline, a major correction, or something worse? At this point, we do not know. But the market's technical underpinnings have deteriorated greatly. We believe watching from the sidelines is the prudent course of action. In the meantime, "Buckle Up!" ... we could be in for a bumpy ride.

Note: The commentary and portfolio actions described on Page 1 pertain to most, but not all, strategies managed by Global View Capital Management (GVCM) on the Castleview Partners' platform ONLY. Strategies managed by sub-advisors do not necessarily reflect GVCM's investment position. Please see your Financial Advisor for additional details.

MORE INFORMATION

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