Windrush Wealth Management

Tomas
M Cern
30 Bakers Brook
S Dartmouth, MA 02748

July 5, 2019

After a very aggressive start to the year with the S&P 500 earning over 14% within the first three months, the US markets in general have slowed down through the second quarter with the S&P 500 gaining over 3.8% while stubbing its toe through the month of May. The broad international market did not fare as well with a gain over 12.8% during those same time frames. There are areas of concern. The trade wars primarily between the two largest economies if the world (US and China) along with interest rates still concern the market and make it difficult to forecast what we could expect in the next six months.

The world markets are slowing down, and the tariffs are not helping. Therefore, it is expected that the Federal Reserve will reduce rates over the next 6 to 9 months to help. The slowing down can also be seen with the bond yields globally moving downward as global investors are moving to less risky investments. Falling rates also give us a sign that investors are not too concerned about inflation. In Europe, German and French 10-year bonds hit record lows and the US 10-year treasury also dropped below 2% for the first time in 3 years.

Earnings Outlook

The economic expansion we have been experiencing is the longest on record (June 2009 to June 2019) but also has been the slowest recovery from a major recession on record. Unemployment is still are record lows and thus we are expecting an overall slowing down of the economy over the next 12 to 18 months compared to the last few years. With tariffs and overall slowing economies globally, earnings for the remaining part of the year are expected to slow and be soft compared to the previous year. We are expecting a decline in corporate earnings mostly caused by companies that generate more than 50% of their revenue overseas compared to a slight rise for companies that do most of their business in the US. Technology companies will probably be the most effected by the global slowdown due to their higher global exposure compared to the general market. Also, small companies in general have underperformed large companies since they are typically more cyclical.

We do believe that there is still some room for the equity market to move higher with improved trade tensions and with the Federal Reserve not willing to wait too long to adjust if necessary, but we must be prepared to adjust to safety when needed. Feel free to call or email me at any time with questions, concerns, and comments. We value your feedback and as always, we work for you.

Sincerely,

Tomas M. Cern
Windrush Wealth Management
508-789-8084
tmcern@windrushwealth.com