

A snapshot of last week's market performance and what to watch in the week ahead from Chadd Mason, Cabana CEO and co-founder.

U.S. equity markets ended August in the black. This marks five consecutive positive months for domestic equities. Interest rates remained range bound and below 3% on the 10-Year Treasury Bond. This has provided a boost for stocks. I mentioned several months ago that it would be helpful for rates to stay below 3% as stocks tried to recover from the February selloff. The U.S market is now back at all time highs as of this writing. The major risk going forward appears to be weakness in foreign equities around the globe. The United States is the only market to see positive returns for the year and the divergence is compelling. We have discussed this for weeks now and have yet to see any leadership return abroad. This is due in large part to the trade war concerns and the resulting strength in the U.S. dollar. Additionally, financial conditions in Turkey and Argentina are near panic levels, which has caused investors to pull money from those economies. These twin circumstances are in my opinion capable of leading to a selloff as we enter the difficult month of September. According to the Stock Traders Almanac, September is the weakest month for stocks going back to 1950. As a final point worth noting, our Federal Reserve has all but guaranteed another interest rate hike this month. That is likely to add fuel to what is now a smoldering fire. Mid-term elections may force some accommodation to foreign markets. This would be a welcome sight to many investors. During the interim, we are prepared for volatility to return. We remain moderately bullish.



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