

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

The past week saw U.S. equity markets break out to new highs. This was supported by international markets - and emerging markets in particular. It remains to be seen whether this was the result of trade tension fatigue, renewed optimism for world growth or a combination of the two. I can say that China pulled out of trade talks over the weekend and tariffs on more than \$100 billion on imported Chinese goods went into effect today. China responded in kind with tariffs on \$60 billion of U.S. imports. In the short term, this cannot be good news for consumers here and is not likely to be good for equity markets in general. The Dow is down 0.64% and China is down 1.00% as of this afternoon. More and more, this seems to be a political issue more than an economic one. Unfortunately, we may not have clarity until the midterm elections. World energy markets are moving higher with energy prices reaching the highest levels we've seen since January. Commodities in general are at three month highs. This evidences demand growth internationally as well as inflation. It is no surprise that we have seen bond yields bouncing. The 10-year Treasury is right back at 3.10%, which it last touched in May. Real estate has dropped over the past several weeks, as have corporate grade bonds and preferred stock. These assets feel the pain when rates rise. The risk on trade remains in place despite the trade headwinds and weakness in foreign equities. Defensive positions like consumer staples, utilities and other interest rate sensitive assets are underperforming. We remain moderately bullish.



G. Chadd Mason
CEO, Cabana Asset Management

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