

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

Last week markets (both equity and bond) responded positively to remarks from Federal Reserve Chairman Jerome Powell, which indicated that rates are close to "neutral". Investors took that to mean that we are nearing the end of the Central Bank's push to normalize rates by raising borrowing costs. The continued raising of interest rates here in the U.S. has caused our dollar to rise precipitously, thereby putting pressure on commodities (what it is intended to do), foreign equities and foreign currencies. This dynamic further weakened those markets throughout the year. Rising rates have also resulted in concerns that our own economy will be unable to withstand the increased costs associated with borrowing and servicing interest payments. The past several months of volatility can be directly attributed to these fears. We needed the Fed to take its foot off the gas to allow foreign markets to catch up and the dollar to pull back. It appears that the message was heard and we saw a bit of daylight last week.

Interestingly, inflation has been well contained and energy prices in particular are low. Since these are the elements that warrant raising rates, it seems the rate increases really have been directed at a normalization of monetary policy, so that when the next recession comes we have some ability to lower rates and stimulate growth. I have shared many times over the year that normalization of interest rates was needed and appropriate given the growth we have seen domestically. I have also suggested that the process would be painful at times as we return to a true market economy, following a decade of government hand holding. With that said, it is important that we don't throw international economies under the bus while we do it. We live in a world economy and everyone needs to participate for our growth to continue. Along these lines, we got a boost after President Trump's dialogue with China's Premier Xi. The trade war with China has been another headwind to equities this year and the agreement to delay additional tariffs is a much appreciated holiday gift from our leaders.

Major indices are still trying to reclaim their 200- and 50-day moving averages and we need to see a close above those for us to move higher. Right now it looks like we have stepped back from the edge of a big drop and the October lows have held. Major U.S. indices are back in positive territory for the year and we have a shot at a meaningful rally into year end.

Last week's market commentary is available for download [here](#).



G. Chadd Mason
CEO, Cabana Holdings

For more information about Cabana, including its services, portfolio performance, professional opinion articles and industry news, visit www.cabanaportfolio.com.



IMPORTANT DISCLAIMERS

This material is prepared by Cabana, LLC, dba Cabana Asset Management and/or its affiliates (together “Cabana”) for informational purposes only and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed reflect the judgement of the author, are as of the date of its publication and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by Cabana to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Cabana, its officers, employees or agents.

This material may contain ‘forward looking’ information that is not purely historical in nature. Such information may include, among other things, projections and forecasts. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. All investment strategies have the potential for profit or loss. All strategies have different degrees of risk. There is no guarantee that any specific investment or strategy will be suitable or profitable for a particular client. The information provided here is neither tax nor legal advice. Investors should speak to their tax professional for specific information regarding their tax situation. Investment involves risk including possible loss of principal.

Cabana LLC, dba Cabana Asset Management (“Cabana”), is an SEC registered investment adviser with offices in Fayetteville, AR and Plano, TX. The firm only transacts business in states where it is properly registered or is exempted from registration requirements. Registration as an investment adviser is not an endorsement of the firm by securities regulators and does not mean the adviser has achieved a specific level of skill or ability. Additional information regarding Cabana, including its fees, can be found in Cabana’s Form ADV, Part 2. A copy of which is available upon request or online at www.adviserinfo.sec.gov/.

The Financial Advisor Magazine 2018 Top 50 Fastest-Growing Firms ranking is not indicative of Cabana's future performance and may not be representative of actual client experiences. Cabana did not pay a fee to participate in the ranking and survey and is not affiliated with Financial Advisor magazine. RIAs were ranked based on percentage growth in year-end 2017 AUM over year-end 2016 AUM with a minimum AUM of \$250 million, assets per client, and growth in percentage assets per client. Visit www.fa-mag.com for more information regarding the ranking.

