CABANA WEEKLY MARKET COMMENTARY

JANUARY 22, 2019

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

Equity markets continue to rebound from the December 24th low. The S&P 500 (SPY) has recouped more than half of its December losses. The index stands 5% below the December 1 level, and a little more than 9% below where it started at the beginning of the fourth quarter. We are now squarely in the middle of a zone of over-head technical resistance, which I described last week (above the 50-day, but below the 200-day moving average). With that said, I believe it will take a significant effort by bullish equity investors to move much higher and breakout to the upside. In my opinion, the stock market is incredibly predictive in nature and forecasts economic changes before they show up in the reported data. I think the 2017 equity market forecast the strong earnings data reported during 2018. Whether the 2018 equity market has accurately forecast weakness in 2019 remains to be seen, *but* just this weekend China reported the slowest growth since 2009. It is no surprise to me that China was among the weakest of all world markets last year, **and** it entered a bear market first. China is the second largest economy in the world.

One of two scenarios is ahead of us in the coming weeks. The first and most optimistic is that the threats to global growth caused by rapidly rising rates seen during the first half of 2018 have abated and GDP weakness has already been priced in. China and the U.S. will come together to reach a much-needed comprehensive deal on trade, allowing for a normalization of the supply chain worldwide. These factors will lead to reduced volatility and an upside breakout giving the old bull market room to stagger forward and reach new highs. Alternatively, equity markets will begin to sell off as we move into broken support levels, evidencing more economic weakness to come. This will likely lead to much lower levels in equity markets later in the year.

Last week's market commentary is available here.

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