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.

Last week, in response to comments by Federal Reserve Chairman Jerome Powell, volatility returned to stock markets around the world. He stated on Wednesday that growth prospects had diminished globally and instead of reducing the number of interest rate increases this year, we would not have any. This promptly sent bond yields into a dive as equity markets tried to digest whether this "dovishness" was good for stock prices or if the Fed knew of problems down the road that no one else does.

On Thursday, markets seemed to settle the uncertainty, and stock prices climbed more than 1% based on the idea that easy money policies would continue to stimulate growth. No sooner than that began to sink in, Germany and U.S. manufacturing data come in on Friday morning, revealing recessionary conditions in Germany and much weaker (although still growth) conditions here at home. This gut punch caused investors to rethink the previous days optimistic interpretation of the Fed's policy statement. Markets plunged, with risk assets taking the brunt of it. Small cap stocks and commodities dropped more than 3%. The major U.S. indexes all were down approximately 2%. From a technical perspective, these indexes dropped back below the resistance that we had just cleared ($280 on the SPY). Friday saw the biggest declines since early January and on big volume.

As we have discussed several times over the past weeks, markets have had an exceptional run up since the new year began and some choppiness is to be expected. What is not to be expected is the drop in bond yields at the longer end of the yield curve, which caused the yield curve to invert for the first time since 2007. This means that you are paid more to loan money for ninety days than you are to loan money for ten years! This is not normal and not good for banks, since they pay depositors at short-term rates and loan money to customers at long-term rates. Thus, banks lose money in these conditions. I am over simplifying here, but you get the point. An inverted yield curve has occurred before every recession in this country going back to 1975. With that said, while every recession has started with a yield curve inversion, not every yield curve inversion has led to a recession. There have been several occasions when longer-term interest rates rose in response to improving growth prospects and the yield curve returned to its normal shape. We will have to see which of these scenarios play out over the next few months.

There are a lot of positives out there in the form of historically low unemployment, a strong U.S. consumer and stable banks, which all support the idea that the bull market can continue to stagger forward. We are going to need some help from the rest the world, starting with a trade deal in China and a solution to the Brexit quagmire engulfing Europe. All this is possible, and I am hopeful, but the fact remains that we are likely in the 8th or 9th inning.

Last week's market commentary is available 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.

Cabana claims compliance with the Global Investment Performance Standards (GIPS®). In addition to the firm’s third-party verification, six of Cabana’s core portfolios have been performance examined consistent with GIPS® standards. The Global Investment Performance Standards are a trademark of the CFA Institute. The CFA Institute has not been involved in the preparation or review of this report/advertisement. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation unless an independent performance examination has been conducted for a specific time period. Past performance is not indicative of future results. Due to various factors, including changing market conditions, the portfolios may no longer be reflective of current positions.

No client should assume that the future performance of any specific investment or strategy will be profitable or equal to past performance. 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 any investor. Asset allocation and diversification will not necessarily improve an investor’s returns and cannot eliminate the risk of investment losses. While loss tolerance and targeted "drawdown" are identified on the front end for each portfolio, Cabana's algorithm does not take any one client's situation into account. It is the responsibility of the advisor to determine what is suitable for the client. An advisor should not simply rely on the name of any portfolio to determine what is suitable. Cabana manages assets on multiple custodial platforms. Performance results for specific investors may vary based upon differences in associated costs and asset availability.