

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's commentary noted that the stock market was at a critical juncture. All relevant U.S. indexes had fallen below their respective 200-day moving average in the face of the escalating trade war with China, coupled with new threats of tariffs on all goods imported from Mexico. I pointed out that the equity markets' ability to quickly recover was important. Stocks were hammered in May and as of last week were oversold and ripe for a bounce from a technical standpoint. If buyers didn't step in quickly, we were in danger of significant further declines over the next few weeks.

Well... I do not claim to be psychic, but last Monday's commentary was followed up by a four-day rally, which continues today. All major equity indexes ended last week above their 200-day price averages and are once again on solid ground. The small cap index is the only exception. I would also note that the transportation index is lagging. This makes sense given it is a direct reflection of goods being shipped worldwide. Transportation is ground zero of the trade war. We will watch to see if that sector of the economy gives us any hint on the future outcome of the tariff issues.

Interest rates got a corresponding bounce, which caused a pullback in bond prices. However, with interest rates near all-time lows, dividend paying stocks, bonds, REITs and bond substitutes (like utilities) remain very attractive. Federal Reserve Chairman Jerome Powell intimated on Wednesday that a rate cut may be forthcoming in order to deal with the headwinds caused by increased taxes on goods being imported/exported. We received a tame jobs report on Friday, which further supports a dovish Federal Reserve stance on interest rates. It looks like the Fed is once again signaling a backstop on falling stock prices. I won't get into the ongoing debate over whether this type of monetary intervention is good for the long-term health of a capital economy, but it certainly emboldens investors to keep their money in stocks.

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



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