Week Two of Economic Improvement

Last week, we noted overall improvement in underlying economic conditions. That trend has continued.

Earnings here in the U.S. have been better than expected, with a number of upside sales surprises. This data suggests that the ongoing trade dispute with China is having a muted impact on companies' ability to make money. The 10-year Treasury yield continues to rise in response to improving growth prospects, and the yield curve is steepening. Today, the S&P 500 broke out to an all-time high - this is a big positive going forward. We are currently seeing a rotation into risk assets and out of safe havens. Technology, energy, financials, basic materials and industrials are beginning to outperform. Utilities, gold, real estate and bonds are falling back. These defensive sectors have been leaders for months and it is nice to see some rotation into growth assets. I mentioned last Monday that we should watch for new highs in our equity markets, coupled with strength in energy, commodities and transportation. As soon as we wished for it, we got it. Last week saw big moves in all three of those areas. Finally, it is notable that after more than two years of weakness, foreign equity markets are starting to pick up. Developed markets like Germany and Japan are improving and China looks like it may be as well. As a result, the all world index ACWX (that does not include the U.S.) is nearing a new high. I have belabored this point for more than two years, but it is worth saying again - the U.S. economy benefits when it has strong partners abroad.

Last week's commentary can be found here.

G. Chadd Mason
CEO, The Cabana Group

FA RIA SURVEY & RANKING 2019
Cabana Asset Management
Ranked #2 Fastest-Growing Firm in the U.S. in *Financial Advisor* magazine's 2019 ranking and survey.

FA RIA SURVEY & RANKING 2018
Cabana Asset Management
Ranked #1 Fastest-Growing Firm in the U.S. in *Financial Advisor* magazine's 2018 ranking and survey.

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