

## Eyes Wide Open and the Glass Half Full

The past week saw continued selling in U.S. equity markets. The S&P 500 ended slightly more than 2% below all-time highs. Given all the recent impeachment noise, mixed messages regarding our trade with China, the Iran crisis and more, September ended on relatively good terms for investors. While domestic manufacturing is in a technical recession and the Chicago PMI numbers released today show contraction and are the weakest since 2015, employment is strong for the time being and real estate is holding up. The yield curve has improved, which is benefiting financial stocks and banks. I commented on these data points last week and the song remains the same for now.

We have new manufacturing numbers out this week and a very big jobs report on Friday. If things are going to break down from here it will start with jobs. I am very interested to see how the trade uncertainty and overall recession fears are impacting hiring. Foreign markets, energy, commodities and transportation are weak and underperforming other asset classes and equity sectors. In other words, all the players that we look to for future demand side growth are noticeably absent from the stage. The players that are on stage are the same players that have been for the past several months. Those are defensive equities (like consumer staples), bond substitutes (like utilities), dividend payers, REITs, and preferred stocks. Treasuries, corporate grade bonds and junk bonds remain in uptrends and near recent highs.

We enter October with our eyes wide open and a glass that is half full (or half empty). This has traditionally been an especially volatile month and quality, value, dividends and low beta (risk) assets feel like pretty good places to be for most investors.

At Cabana, we are moderately bullish and are prepared to reallocate upon signal.

### Key words:

**The Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors.

Last week's market commentary can be found [here](#).



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