CABANA WEEKLY MARKET COMMENTARY DECEMBER 16, 2019

Investors Welcome a U.S.-China Trade Deal With Open Arms

Equity markets around the world continued to grind higher last week and moved up again today. The much-anticipated trade resolution with China came through over the weekend. While this has been in the works for 18 months and the deal's substance is debatable, investors appear buoyed by the fact that we can avoid additional tariffs going into effect on December 15. Higher stock prices appear to be justified based on renewed growth prospects in the manufacturing and transportation sectors. Manufacturing in the U.S. has been in a recession all year due to trade concerns and any relief on that front is welcome. Asia's stocks are also benefiting. China is up more than 5% for the week and 3% today.

I won't beat this dead horse too much but our markets (and companies) need some demand from around the globe to keep this engine running. We have carried the load for 2 years and our earnings growth rate, while still positive, is falling. As we have pointed out several times in commentaries recently, price is both an aggregator of information and a predictor. The last few weeks are a good example of both as investors worldwide bought stocks in response to solid economic data in the form of employment and earnings, and at the same time are anticipating a jump start to growth from political accord and some international demand. It is always amazing to me to watch how price translates everything else.

The downside (although not really a downside economically) is that interest rates are rising in response to the current stock rally. This is resulting in a pullback in bonds and fixed income assets. Other interest rate sensitive assets like REITs and dividend payers are also underperforming the broader market, and particularly high beta risk sectors. We are happy to take this trade off anytime.

Last week's commentary can be found here.


G. Chadd Mason
CEO, The Cabana Group

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.

RIA SURVEY & RANKING 2018

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