Intrinsic Investors

The Month in Review

January Takeaways

- Equity prices snapped back smartly in January, regaining over half the ground lost from the September highs with the S&P 500 advancing 8.01% for the full month of January.

- Investor sentiment, which was firmly bearish as the year started has reversed and according to the AAII Sentiment Survey, bulls and bears are now equally split at about 32% each with the remainder neutral on the market. Bullish sentiment has dropped 6% in the last week. To a contrarian (like me) both developments are bullish.

- While we aren't out of the woods, with large January gains and still 11 months to go in 2019, it at least appears that *Stockageddon* has been postponed to another day. The technical picture for stocks reversed the downtrend and turned positive on January 30th. Without climbing to deeply into the weeds, that's a good thing.

- The economy continues to face some cross-currents on the data front. We are waiting on full fourth quarter earnings, which thus far, are showing mixed results. Not surprisingly, forward forecasts of earnings continue to reflect some seasonal cautiousness. Let's see how that plays out in February.

- Trailing earnings for the last month are down .8%. There are a host of opinions to explain this, including weaker holiday sales, the ongoing trade negotiations, the government shutdown and the fact that the tax cuts from last year are already baked into the cake. On the last point, the tax cuts may be baked into the cake but they are still in place. So, what has changed for the year ahead?

- Looking around the globe, there is no shortage of news supporting the growing suspicion that global growth is beginning to sputter. Early signs of contraction are starting to appear in the Euro zone (France PMI). But it's still China that has everyone's attention. GDP growth slowed to 6.4% in December, the lowest rate in over 25 years. While many fret over this, China's double digit growth was unsustainable and they are now settling into to something closer to normal. Who wouldn't kill for 6% GDP growth?

- As I have said in the past, like *Japan Inc*., at some point, the *One Belt, One Ro*ad experiment either works or doesn't. Eventually, we get a recession (odds now at 65%), but not yet, not yet.