



The Month in Review

August Takeaways

- *Storm warnings* or just another hurricane season? Depends on whom you talk to. Like Dorian, after a catastrophic beginning the stock market quickly reverted to something less than what investors feared at the beginning of the month, turning in a *tame performance* in August.
- Actually, coming out of the Labor Day weekend, stocks are showing renewed strength on the heels of a de-escalation of *tensions in Hong Kong*, *progress* on the trade front and *continued strength* in the service sector thanks to still *strong consumer confidence*.
- There is still an abundance of clouds on the economic horizon and these kept the market largely range-bound for most of the month just passed. On the downside, we continue to register *softness in manufacturing* (technically now in contraction) and a recent *miss in employment numbers* (although *incomes continue to rise*). There is renewed concern over the fight over *Brexit*. Depending on what day it is, any of these headline headwinds can shave hundreds of points off the equity indexes.
- It is equally true that there are days when *positive news cancels out* the gloom-and-doomers and send stocks higher. While concerns over trade and the tariff tug-of-war continues to weigh on corporate plans for capital spending, *progress is being made with 3 out of 4 major trading partners* (Japan, Mexico and Canada) and maybe, China. We still have to see how that plays out.
- Technically, the *markets are in pullback mode*, but that could be changing in the short-term. The *fundamental picture remains positive*, but we are definitely seeing a measurable slowdown in earnings growth. Trailing earnings on the Dow Jones Industrials off about 4% in the last three months, but still up over 9% year-over year. This is attributable to both the trade war and where we are in the business cycle.
- On “The Street of Dreams”, investors continue to have a good year in stocks. The return of volatility may be masking that fact. It’s important to not let short term volatility influence your behavior. I know I sound like a broken record every time I say that. With that said (again), stocks are fairly priced at current levels [Relative Value](#). On the inversion front, there is continued upward pressure in our [Recession Predictor](#). Stay tuned!

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