



The Month in Review

October Takeaways

- *Start, Stutter, Stop. Start, Stutter, Stop.* That has pretty well described the stock market since July. Continuing concerns over valuations, seasonality, the economy, trade and interest rates continue to create the occasional *panic attack* on Wall Street. Like individuals suffering from a similar disorder, they never see it coming. That is why they say that a bull market climbs a wall of worry. Try counting to 10 the next time the walls close in...
- Despite being slightly over-valued at current levels (see our [Relative Value](#) chart), equities actually managed to post *record highs* coming out of October. This was actually unexpected since September and October traditionally cause rough sailing for equities. However, as I have pointed out before, we are in interesting, not traditional times.
- November marks the start of a *seasonal boost for equities*, historically extending through the end of April and leading into to “Sell in May and Walk Away.” If you remember last Christmas, that is not exactly how things played out, although we did pretty well from January forward. In absolute terms, *it has been a good year*.
- The *recurring theme* in the economy is *moderation*. I will take that over contraction any day. Personal income, consumer spending and inflation are all in moderate mode. One interesting analysis of the consumer is that the continued growth in the economy is encouraging the consumer to *up their game and spend more*. That is good up to a point, but people need to learn to curb their enthusiasm.
- The Chinese trade war is (*maybe?*) easing, depending on what day it is. Whatever progress is reported, it is largely superficial and I’m not sure the *deeper question of intellectual property theft*, has an easy solution, but we will see how things progress. Don’t even get me going on the UK/EU. I am in complete Brexit fatigue mode.
- Finally, something happened on the *road to recession*. After spiking near 100% in September, there was a change on the inversion front as the Fed provided the third (and perhaps final) rate cut for the year. The *yield curve has returned to normal*. For now, the yield-curve *inversion has disappeared*. Our [Recession Predictor](#) has retreated from a high of 96% to *a current read below 67%*, suggesting recession might be further over the horizon than it seemed a month ago. More next month!

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