

MARKET COMMENTARY – OCTOBER 1, 2018

The Good, The Bad, & The Ugly

The final film in the “Dollar Trilogy” of Spaghetti Westerns is the most famous of all. After watching it, one feels as if there were more scenes with angry, squinting eyes and cigarillo gnawing bandits than dialogue. Nonetheless, its cinematography remains a classic of the genre, influencing westerns and other films to this day. It also catapulted Clint Eastwood from fading actor to superstar.

We like the title as a way to bullet point some of the positives, negatives, and potentially downright ugly aspects of the economy and market today. So in the spirit of “The Man with No Name” from the film, we’ll be succinct and fire away.

The Good:

- Fundamentals are healthy – Revenue and earnings growth high.
- Market prices are reasonable – PE is supported by solid earnings.
- US Economy – Growth robust.
- Business Optimism – Record high.
- Business Capital Spending – Elevated.
- Updated US-Mexico-Canada Trade Agreement finalized.
- Lowest Monthly Jobless Claims since the 1960s.
- Stock market leadership has recently begun to broaden from the narrow FANGs.
- Consumer confidence – Reaching historic highs.

The Bad:

- Rates continue to rise.
- Auto sales have slowed throughout 2018.
- Housing trajectory has softened.
- Oil prices higher this year with Venezuela and Iran production cutbacks.
- Business recovery portion of the cycle is getting old.
- Potential change in Congress may stymie pro-growth agenda.

The Ugly:

- Emerging markets stocks have plummeted in 2018, reflecting trade discord and currency fluctuations.
- The US-China trade and tariff war may escalate, crimping global economy growth.

In short, we believe the balance of the good, the bad, and the ugly in the world marketplace still tips favorably toward “the good.” We acknowledge that “the bad” aspects will continue to exist and build. At this stage, we still believe that “the ugly” scenarios around China and trade will not become contagious to other sectors. We believe that even if there is not a near-term resolution to the disputes, the other aspects of the global economy can provide enough relief to keep the recovery alive longer.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely

Jason Born, CFA
President