Macro and Market Outlook – as of 31 March 2019

(12-month outlook, updated quarterly)

Neg. N Pos.

Central Bank (increase by 1*)

- The US Federal Reserve changed sentiment and has taken this year's expected interest rate increases off the table. It has also curtailed the reduction of its balance sheet, and believes interest rates are now neutral.
- The European Central Bank is not expected to increase interest rates anytime soon and has extended quantitative easing.

Liquidity & Credit (increase by 1*)

- Financial conditions have improved, credit spreads have narrowed and overall rates have declined.
- Covenant light high yield debt continues to find many investors.

Economic (same*)

- The global economy will continue to grow, but at a slower pace.
- US – China trade tensions are impacting some economic indicators, but both sides appear eager to reach an agreement.
- US housing sales are slowing, but may receive a boost from the dip in mortgages rates.
- The liklihood of a US recession within 12 – 18 months is low.

Valuations (same*)

- First quarter earnings growth are forecast to be negative but the full year will likely be positive. The increase in prices limits further multiple expansion.
- Long-term measures of valuations continue to be stretched.

Sentiment (same*)

- Institutional investor sentiment is strongly negative, but consumer sentiment continues to be positive. There is a high degree of uncertainty, following the rapid selloff at the end of Q4.
- Volatility has normalized.
- Geopolitical issues are reflected in market prices.

Technical (increase by 2*)

- US stocks have taken out the resistance at 2820 and have positive momentum. The 50 day has crossed above the 200 day moving average, and a test of the September 2018 high is likely. International equities also have positive momentum, but have several critical resistance levels to overcome.

Overall (same**)

Conclusion:

While several factors have improved in the 1st quarter of 2019, we have maintained a cautious outlook. The rapid decline of 2018 shows that market direction can change without notice with the right ingredients. We are being more selective on where to accept portfolio risk, and may use market strength to reduce risk.

ARGUS Wealth Management

*Change from the previous 12-month outlook.

** The weights to calculate the Overall rating are determined by Argus Wealth at its discretion based on market conditions.

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