NEXBANK NOTES

January 2019

Our Fundamental View:

Storm winds continued to blow through the markets last month, with stocks posting their biggest declines for a December since 1931. The ‘thunder and lightening’ were of course supplied by President Trump, who continued to bluster loudly about both trade wars with China, as well as political one with Democrats in the House and Senate.

Fundamentally speaking, while we continue to believe that a fair and balanced playing field on trade is a good thing for the US longer term, we also believe that there is risk to both the global economy (and the markets) over the short term as a result of this process. One example being that Chinese Manufacturing PMI moved below 50 for the first time in nearly 3 years, which could suggest an economic contraction is near.

Our Technical View:

Technically speaking, stocks achieved ‘bear market’ status last month when most of the indices finally suffered peak to valley declines of 20% or more. While the damage has been severe, it can now be argued technically that stocks have most likely seen the worst of this decline. Specifically, while we still need to see a divergence like that from Feb’16 to declare ‘all clear’, the reading of 1,500 net new 52-wk lows is extreme, and typically where markets find their footing.

Other examples of markets which have *already endured* bear markets are the German DAX and emerging markets ETF (EEM) which have suffered 24% & 28% peak to valley declines, respectively. The EEM is now holding its Oct lows (so far at least), which is a sign it is indeed firming. Given the emerging markets led the world into the current turmoil, getting back through the down trendline extending from its Jan. high would be very good news for equity markets everywhere.

Consensus Call of the Month:

Despite the new format in which every FOMC meeting will be ‘live’ this year (and has the potential to see a move in short term interest rates) we believe the committee will hold rates steady at their meeting on January 30th. The professional investing community seems to agree, in that as of this writing Bloomberg is reporting that there is a better chance of a cut in rates (5%) than an hike (0%).

Contrarian Call of the Month:

Another widely held view by professionals is that stocks are certainly going much lower from here – to which we disagree. While as noted above we do believe stocks need to rebuild & repair themselves before scoring new highs, market history suggests we are closer to the bottom of this bear market than the top.

James Dondero, CFA
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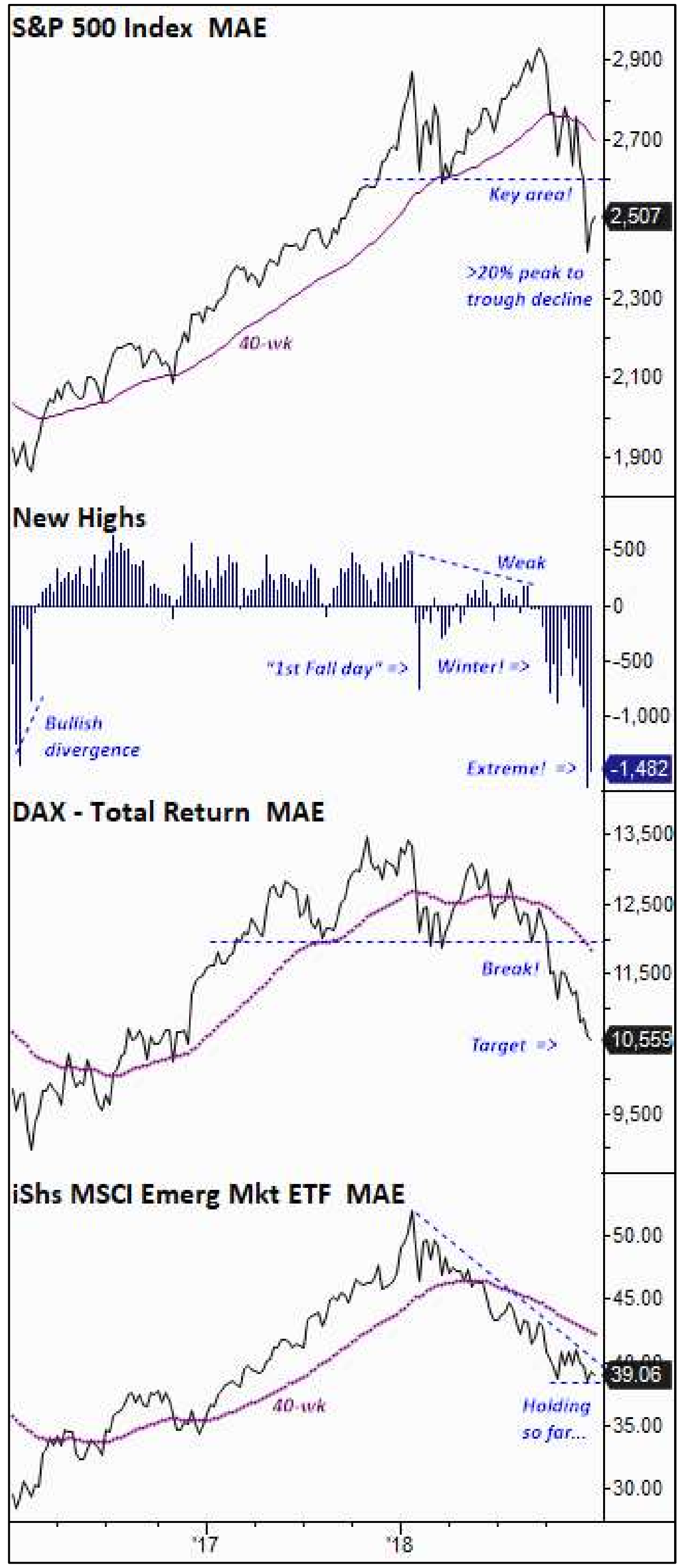

Charts courtesy of TradeStation, current as of December 31, 2018

NexBank Wealth Advisors

About NexBank Wealth Management

NexBank Wealth Management is a privately owned, independent wealth manager located in Dallas, Texas. The team is led by award-winning investment professionals, with an average of 25 years of experience working with some of the world's most distinguished institutional clients and financial institutions. NexBank Wealth's actively-managed approach guides clients through complex and evolving markets. Contact our Client Services Team for more information.

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