

### Our Fundamental View:

The economic storm clouds we have been discussing intensified last month with key, leading, economic indicators (such as PMI's) moving smartly lower across the globe. Regions suffering the worst declines included China and the Eurozone, the latter of course being highly dependent on the former.

This potential economic weakness is having the biggest impact on the bond markets, pushing yields lower, again... across the globe. In the US the yield curve is getting quite flat, with spreads between 10-yr. notes and 3-mo. bills holding in the 25-50bp range. This is dangerously close to an inversion, which has historically been a very negative event for US stocks (and harbinger to a US recession).

### Our Technical View:

Technically speaking, stocks are in much better shape than the headlines suggest. After enduring a quick, but vicious, bear during 4Q'18, they do look to have turned the corner.

Specifically, not only is the NYSE now posting the largest number of new 52-week highs since Jan'18, but the number of stocks trading above their 200-day average has decisively moved through 40% – a figure used by technicians to identify new bull markets.

Finally, while treasury spreads have indeed been narrowing (as noted above) the US 10-yr. Treasury yield is holding the key 2.65% area. In textbook fashion what was resistance has become support, and moving further off this area would go far in easing spreads. As well as fears of a synchronized global slowdown.

### Consensus Call of the Month:

As we noted last month, Chairman Powell publically stated that the FOMC is on 'pause' regarding hikes in US short term interest rates. We are taking him at his word, and agree with the vast majority of professional investors who believe the FOMC will not raise short term interest rates throughout 2019, and that the yield curve will actual take a more 'normal' shape as the year progresses.

### Contrarian Call of the Month:

While not nearly as contrarian as it was last month, we still believe stocks have seen an important cyclical bottom and sincerely doubt that the Christmas Eve lows should be seen again soon.

**James Dondero, CFA**  
Portfolio Manager

**Mike Hurley, CMT**  
Portfolio Manager



Charts courtesy of TradeStation, as of February 28, 2019

### 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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