

Our Fundamental View:

The economic cross-currents continued last month, with many company earnings reports coming in better than expected, while US GDP growth was a little weaker than first appeared (due to weak consumer sales and building inventories).

The net result being, interest rates and the US yield curve remain basically where they were a month ago. While both are indicating a potential lack of growth, we're more optimistic and do think longer term rates are likely to move higher from here.

Our Technical View:

While interest rates were little changed on the month, stocks continued their healthy advance. Breadth & leadership remain strong, with the former *leading* the S&P to a new all-time high.

Additionally, the number of stocks scoring new 52-week highs remains firm, while the % of stocks trading above their 200-day average is holding the key 40% level.

Finally, credit markets remain very well behaved with ETF's such as HYG (representing high yield credit) also establishing a fresh uptrend. This is bullish action technically, and important confirmation for stocks.

Consensus Call of the Month:

As we noted last month, it has become quite popular to be bullish on emerging markets despite concerns over global economic data. We noted in Feb. that the EEM was 'turning the corner', and continue to believe that is the case. The bottom line being, in some cases 'the crowd' is right, and we do believe this is one of them.

Contrarian Call of the Month:

Finally, while most industry professionals are looking for lower rates, we continue to take the opposite view. This is based on our optimism for improvement in global economic conditions, as well as the deeply oversold condition US Treasury yields saw in March. While only time will tell, we believe there is a very good chance that the low of 2.37%, on 3/27, on the 10-yr Note will be its low for the year.

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Charts courtesy of TradeStation, as of April 29, 2019

About NexBank Wealth Management

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