

Our Fundamental View:

In the sea of widely diverse (and passionate) opinions, we remain cautiously optimistic on the US economy. While the continuing trade war with, well... everyone, and an overly tight monetary policy are certainly headwinds, we view low rates, demographics and a strong capital expenditures cycle (all within a relatively closed and insulated US economy) as overwhelming tailwinds.

Should the trade war actually end, we believe it would likely come with a coordinated round of monetary stimulus globally. Nations agreeing to a truce would certainly like the resolution to have a positive impact on their economies, and no better way to ensure a happy ending than with a good old fashioned rate cut!

Our Technical View:

Stocks remain in great shape technically, with market internals such as breadth & leadership quite strong indeed. One example is the Advance Decline Line, which is clearly leading the S&P 500 higher. This indicator measures the net number of stocks closing higher each day, and shows the market is far stronger than the S&P suggests.

As we also noted last month, the credit markets remain very supportive as well. Like stocks, the HYG ETF has also seen a well contained pullback in what appears to be an emerging uptrend. Additional support/evidence arguing for a bull market in stocks.

Consensus Call of the Month:

As we note above, it is widely believed that US monetary policy is overly tight. It is also widely believed that the FOMC will ease this policy by cutting the fed funds rate by at least 25-50bp by year end. We agree, and add that other, more creative, means may also be used.

Contrarian Call of the Month:

Finally, we're actually more optimistic than most regarding an end to the US trade war with China. We also believe that a truce will include structural reforms in China, which would not only be extremely positive for both nations but also provide markets an additional tailwind.

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Charts courtesy of TradeStation, as of June 13, 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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