NEXBANK NOTES

October 2019

Our Fundamental View:

The ‘all too familiar pattern’ continued last month with on-again, off-again, trade talks between the US & China continuing to whipsaw the markets. Add to this a healthy dose of tension in the Persian Gulf, Trump impeachment efforts and complete chaos regarding Brexit, and geopolitical uncertainty clearly remains front & center.

Fundamentally speaking, while it remains early in the Q3 earnings season, firms continue to post better than expected numbers – by a better than average margin. Meaning, despite all the worry of an economic slowdown, one has yet to actually materialize.

Finally, as we noted last month, a stock yielding 3% looks pretty good when the 10-yr US Treasury is 1½%. Meaning low rates can be considered another wind at the back of the bulls.

Our Technical View:

Technically speaking, stocks continue to hold key areas of support and important moving avgs. That being said, the bulls have been unable to generate a surge in upside momentum. This can clearly be seen in the narrowing triangle in the small cap Russell 2000 Index.

Going forward, moving through this down trendline would confirm the current bull market is intact, while decisively breaking support in the 1,450 area would suggest an unusually short market cycle.

Consensus Call of the Month:

We remain among the majority of investors who believe gold has embarked on a new bull market. A powerful fundamental case can be made anytime interest rates are down near the inflation rate, while technically, the shiny yellow metal is now consolidating its ‘breakout’ in a quiet, healthy, manner. Both suggest even higher highs are most likely still ahead.

Contrarian Call of the Month:

Also like last month, we continue to believe US Treasury yields may well have seen their low for the year. Strong support the 1.40% area has again held, and sentiment remains extreme.

While Jamie Dimon and JPMorgan may ultimately be right on their recent call for 0% on the US 10-yr, this still reminds us a lot of Oct’18 when they urged the world to ‘refi now before the 10-yr goes to 4%’.

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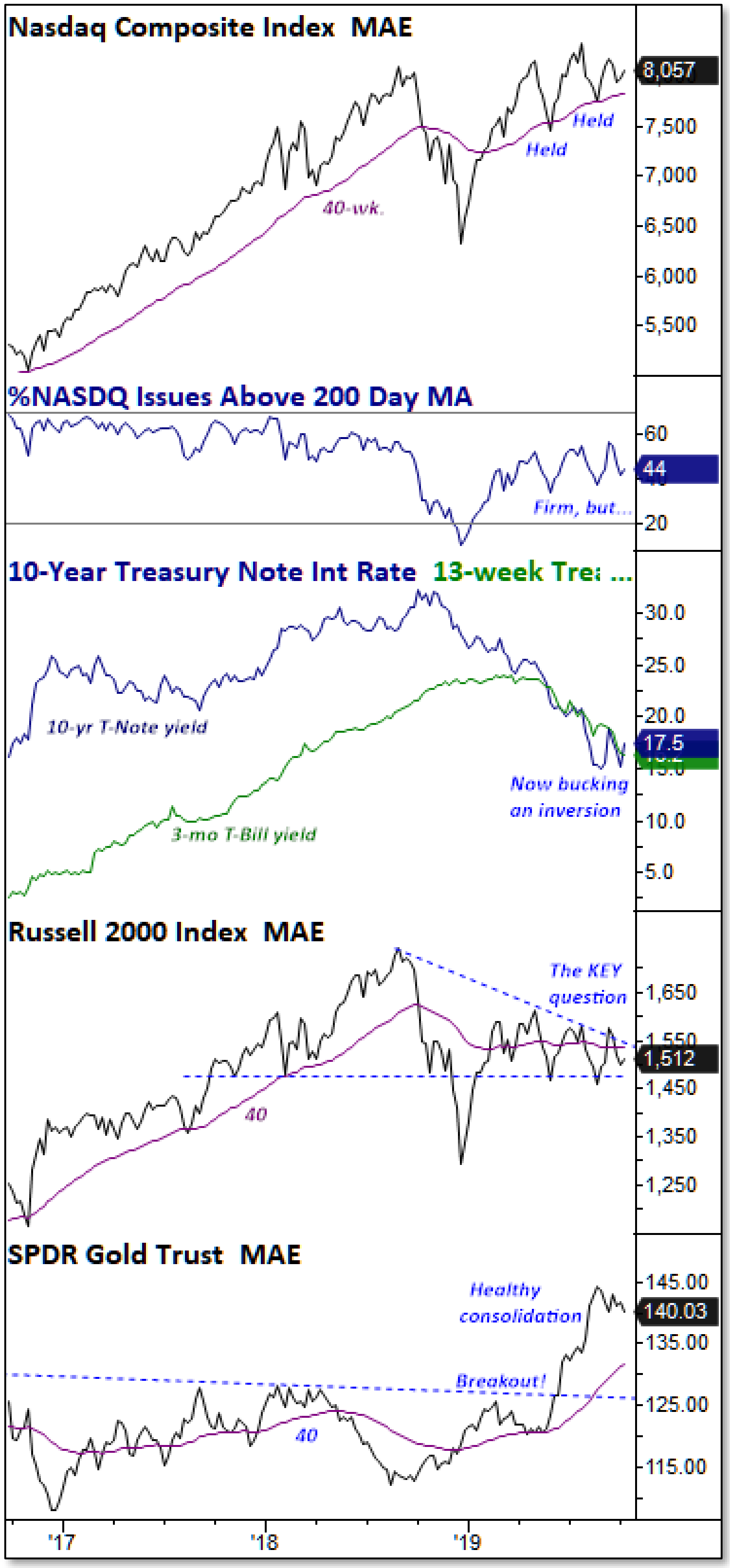
Portfolio Manager



Charts courtesy of TradeStation, as of October 12, 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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