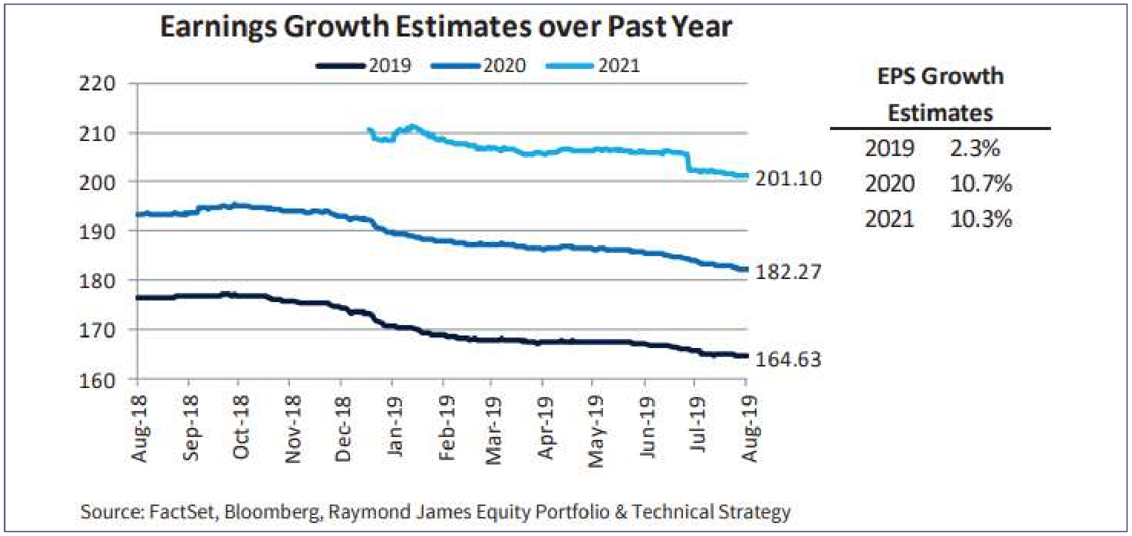
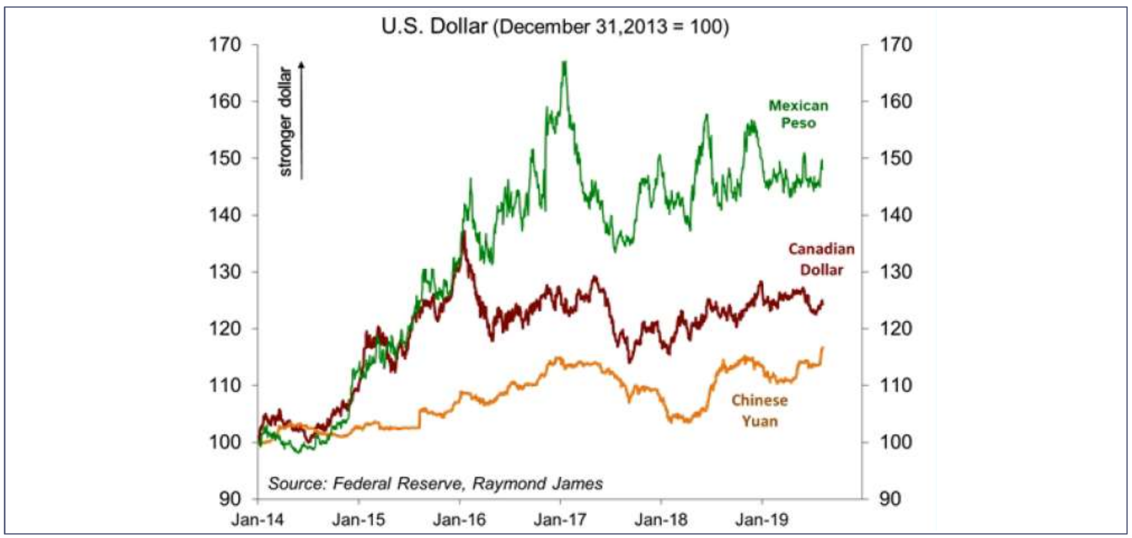
Market Recap

Corporate Profits Are Cooling Off



Source: Raymond James

A Surprisingly Strong Dollar



Source: Raymond James

Following consecutive years of double-digit growth, the earnings outlook has unquestionably sobered in 2019. As expectations have tempered, consensus estimates for the S&P 500 have fallen from roughly 6% at the start of the year down to just 2%. What's more, based on current GDP growth expectations, rising wage pressures, etc., it's clear that published numbers for 2020 and 2021 will need to move lower. Shorter-term risks to global growth include Brexit, which could produce a negative trade shock for not only the U.K. but for Germany and Ireland as well. Longer-term, the greatest risk to global growth is likely China. If increasing tariffs prove to be a more enduring feature of the global economy, U.S. businesses will be incentivized to move production away from China – though the process is apt to be gradual, the cost burden could become a more persistent burden on business.

The dollar has been on a nice streak, and it may not be over. For all the recent headlines generated by China's decision to allow its currency to depreciate beyond the symbolically important 7 yuan per dollar level (and notwithstanding that U.S. trade policy triggered downward pressure on the yuan), over the past five years the currencies of other key U.S. trading partners have weakened to an even greater extent. Broadly speaking, the relative strength of the U.S. economy has been a key driver underpinning the dollar's gains in recent years. Even as the Fed begins to loosen interest rate policy, the relatively higher yield of U.S. Treasuries (as compared to those of other developed market economies) provides little reason to believe that USD strength is likely to meaningfully fade anytime soon.

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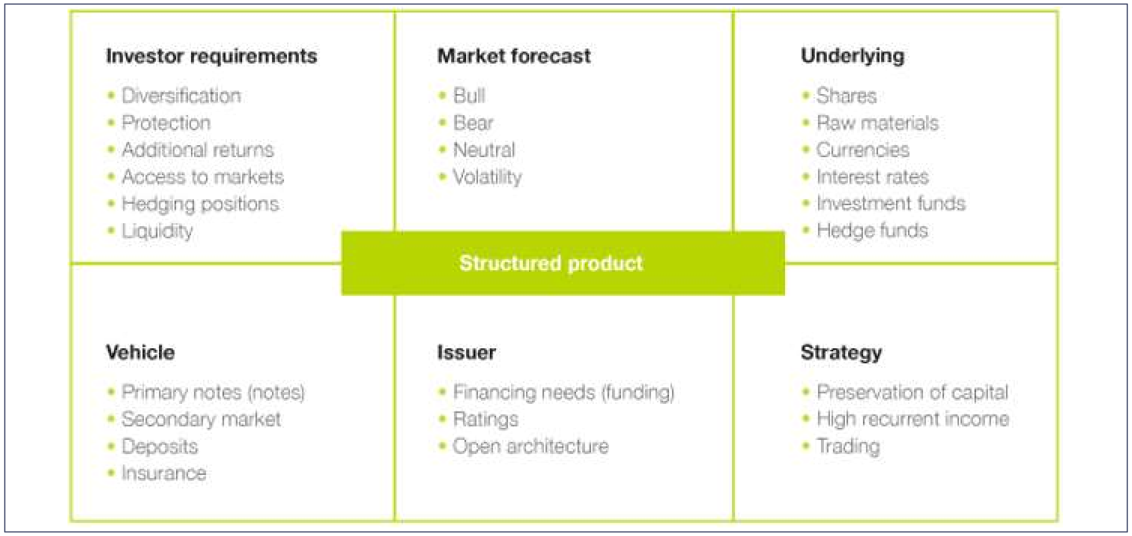
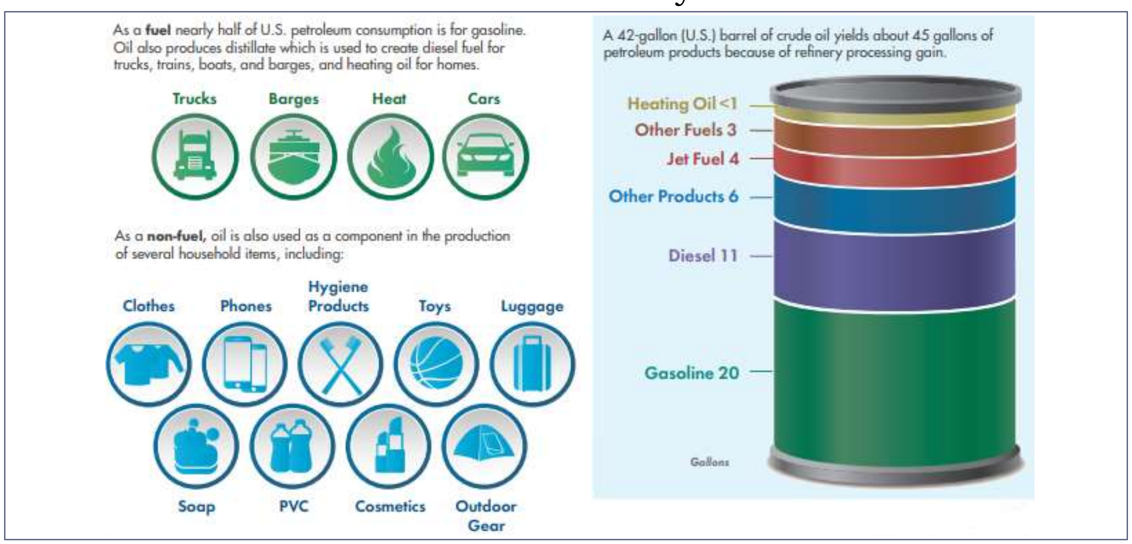
Structured Notes



Source: Patrimoines Prives Wealth Management

Structured notes offer greater flexibility in terms of managing risk and return compared to traditional investments (e.g. conventional stocks and bonds). Notes have two main components—a debt obligation and a derivate element. The payout is typically based on the performance of an underlying index, for example, the S&P 500. While a similar arrangement can also be achieved with options, structured notes are unique that they are tailor-made, allowing an investor to embed a variety of assumptions within a single note. As such, depending on the note's terms, investors can generate positive returns in a variety of market conditions. Though perceptions of structured notes are mixed (primarily due to their complexity), when used judiciously they can be a useful complement to a diversified portfolio.

A Hot Commodity



Source: Bureau of Ocean Energy Management

People typically associate oil with the transportation industry, though it has a curious number of lesser-known uses too. For example, oil is a common component used in the production of a variety of consumer products like smartphones, clothes, and toys (to name a few). Oil is one of the basic building blocks for making plastic, and smartphones contain a great deal of it. As for clothes, they are often made from synthetic fibers like polyester, which is produced through a chemical reaction involving coal, petroleum air, and water. Because of oil's derivative nature and primary use as engine fuel, the resource is immersed throughout economies—this contributes to the importance of steady oil prices, as it impacts a breadth of industries up and down the supply chain.

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