



## MID-YEAR MADNESS:

# Q3 Market Update

### Bulls and Bears

As we round the halfway point in the year, it is hard to believe the shifts in market sentiment that we have experienced the last 12 months. We are locked in an epic struggle between fundamental factors, like two heavyweight champions in the ring, and it is unknown which will overpower the other.

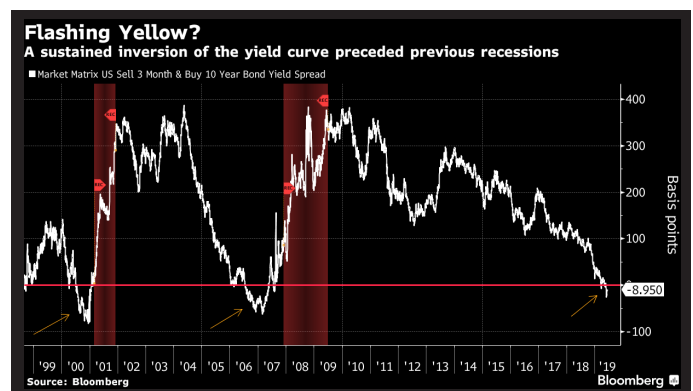
In one corner, we have the bulls – buoyed by moderate stock valuations, tax cuts, growth incentives, the strength of the underlying U.S. economy and the power of the U.S. consumer. Unemployment numbers are low, inflation is in check, incremental wage growth is positive and general sentiment has been steady.

In the opposite corner, we have the equally powerful bears – yield curve inversion, a potential bottoming out in unemployment, decelerating corporate growth, trade wars on multiple fronts with increasing tariffs, not to mention tensions rising in the Middle East and a Brexit deal that might just throw gasoline on an already burning European economy.

### Summer Rate Cuts

I would argue the most important person in this fight is neither the bulls, nor the bears, but the referee: the Fed.

The Federal Reserve can come in and put its thumb on the scale for either side. Six months ago, the market was pricing in multiple hikes in 2019 and the market sank almost 20% in the 4th quarter in anticipation. We now believe they will remove the word “patient” and set up a rate cut in June or July. A rate hike will stress an already fragile market, but if they cut, or signal cuts and a much more accommodative shift, the bulls will receive an extraordinary advantage.



## Looking Back

I understand the fear in the markets. It can be hard to stay the course when we are 10 years on from the market lows of March 6th, 2009 when the DJIA hit 6,469.95. This represented a 54% loss of value since the October 9th, 2007 highs, but since then we have seen new record highs hit in most U.S. indexes, and a current administration that has fed the economy with lower taxes and a pro-business regulatory environment.

Americas						
NAME	VALUE	NET CHANGE	% CHANGE	1 MONTH	1 YEAR	TIME (EDT)
INDUJIND DOW JONES INDUS. AVG	26,680.12	-47.42	-0.18%	+4.28%	+10.01%	10:02 AM
SPXJIND S&P 500 INDEX	2,939.32	-6.03	-0.20%	+4.01%	+8.18%	9:46 AM
COMPJIND NASDAQ COMPOSITE INDEX	7,985.72	-19.97	-0.25%	+4.57%	+6.02%	10:02 AM
NYAJIND NYSE COMPOSITE INDEX	12,999.45	-20.53	-0.16%	+3.32%	+4.15%	9:46 AM
SPTSXJIND S&P/TSX COMPOSITE INDEX	16,493.42	-30.05	-0.18%	+1.62%	+1.91%	9:41 AM

Europe, Middle East & Africa						
NAME	VALUE	NET CHANGE	% CHANGE	1 MONTH	1 YEAR	TIME (EDT)
SXSEJIND Euro Stoxx 50 Pr	3,449.20	-6.37	-0.18%	+2.94%	+2.29%	9:46 AM
UKXJIND FTSE 100 INDEX	7,420.20	+3.51	+0.05%	+1.96%	-1.69%	9:46 AM
DAXJIND DAX INDEX	12,251.38	-23.19	-0.19%	+2.00%	-0.12%	9:46 AM
CACJIND CAC 40 INDEX	5,520.07	-1.64	-0.03%	+3.83%	+4.31%	9:46 AM
IBEXJIND IBEX 35 INDEX	9,147.10	-45.40	-0.49%	-0.30%	-4.79%	9:46 AM

Still, most investors seem to be waiting for the other shoe to drop. Many thought it was coming after the 4th quarter of last year. The whipsaw action between Q4 2018 and Q1 2019 was an incredible reversal, but as of June 14th, 2019, the 1-year returns show that for all the ups and downs, the markets have accomplished little. Sound and fury, signifying nothing.

## Decision-Making in a Data-Rich Environment

Data is immediately accessible and in quantities the world has never before seen. You want to know the average rainfall in Patagonia in June? The average life span of a Gecko? You can find that information in an instant -- but more data does not always mean better decisions, and more talking heads does not always mean better viewpoints.

Now more than ever, we recognize that the ability to sift through the noise and find meaningful information is key to a successful financial strategy.

Winston Churchill once said, "If you are going through hell, keep moving." That is how we view these markets with all the noise, the volatility, the anxiety and the potential for boom and busts. While we are concerned about a slowing global market, we feel U.S. quality companies are a great place to stay invested and not fall prey to the uncertainty of the market. We are at the point we will continue to bank our profits, but portfolio growth comes from stocks and we cannot let our fear of the unknown stop us from staying the course and maintaining focus on long-term goals.

Oh, and the average rainfall in Patagonia is 0.36" for June, and a Gecko has a lifespan of 10-20 years. Not that you should be using either to drive your investment policy.



**Victoria Greene** CFA®, CRPC®  
 Founding Partner &  
 Portfolio Manager



1470 Copperfield Parkway  
 College Station, Texas 77845

(979) 308-2260  
[www.G2PW.com](http://www.G2PW.com)