

MarketNavigator

Our Latest Assessment of Key Economic Indicators

The gauges below represent our views on five key economic indicators and are designed to assist you in your conversations with clients.

Highlights

- After significant movement in the gauges over the last few quarters, we made no adjustments this time around.
- The current U.S. expansion is now the longest on record, but at the same time has been marked by the slowest post-WWII pace of growth. We believe growth will continue in 2019 and into 2020.
- The Fed is trying to pull off a delicate balancing act as it sets policy rates and although we maintain a neutral rating for monetary policy, it will be an area we continue to monitor very closely throughout the rest of the year.



Economy

The current U.S. economic expansion is now the longest on record, but at the same time has been marked by the slowest post-WWII pace of growth. The leading economic indicators index and job market data suggest the economy has more room for growth.

While we continue to closely monitor the shape of the yield curve, we believe the fundamental backdrop for the economy continues to look solid and we expect growth to continue throughout 2019 and into 2020.

**Our Outlook:
Remains Slightly Positive**



Monetary Policy

The probability of rate cuts has continued to grow; however, we find it hard to believe that the Fed will cut as much as the market is currently expecting with GDP at 3.1% in the most recent quarter, unemployment at 3.6% and the S&P 500 near record highs.

The Fed is trying to pull off a delicate balancing act as it sets policy rates and although we maintain a neutral rating, it will be an area we continue to monitor very closely.

**Our Outlook:
Remains Neutral**



Valuations

The forward P/E ratio of the S&P 500 is around 17 times earnings—slightly above the historical mean, but still favorable given the level of interest rates.

We believe valuations are still modestly attractive, but ongoing trade concerns and increased economic uncertainty could pressure earnings expectations, so earnings reductions would not be unexpected.

**Our Outlook:
Remains Slightly Positive**



Investor Sentiment

We are not seeing the extreme readings we saw late in 2018 when we believed sentiment became too pessimistic. If anything, we are seeing some pessimism in the market based on significant equity fund outflows and massive bond fund inflows so far in 2019.

Many of the headline uncertainties, like the trade war with China and economic concerns, seem to be driving investors out of stocks and into bonds.

**Our Outlook:
Remains Neutral**



Interest Rates

Yields have dropped dramatically in 2019, with the yield on the 10-year U.S. Treasury spending some time below 2% late in the second quarter, which was the lowest yield level since 2016.

We believe that overall, interest rates are still having a more neutral effect on the U.S. economy at this point. Monitoring the direction of interest rate moves and the shape of the yield curve will continue to be front and center issues as we move throughout the year.

**Our Outlook:
Remains Neutral**

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CCM-1136