

MarketNavigator

Highlights

- Although the yield curve inverted slightly last quarter, economic indicators that we monitor closely remain positive, and we believe the U.S. economy has more runway for growth in 2019.
- After notable swings over the past few quarters, investor sentiment has settled back to the middle of the road, leading us to bring the Investor Sentiment gauge to a neutral position.
- Earnings growth is expected to slow in 2019, but we still anticipate positive earnings this year and believe valuations are at a level to support equity market progress.

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.



Economy

Although the yield curve inverted in late March, other recession indicators do not appear evident at this time. Both the Conference Board's Leading Economic Indicators Index and weekly initial jobless claims data suggest the U.S. economy has more runway for growth in 2019.

We leave this gauge at slightly positive and will continue to closely monitor our economic indicators.

Our Outlook:
Remains Slightly Positive



Monetary Policy

Earlier this year, the Fed reversed course and took a more dovish monetary policy stance. The Federal Open Market Committee doubled-down on that stance at the conclusion of their meeting in March.

This has contributed to some of the positive equity market activity we've seen so far in 2019. Due to this shift in attitude by the Fed, we move the Monetary Policy gauge forward to a neutral position.

Our Outlook:
Shifted to Neutral



Valuations

With a double-digit recovery in the S&P 500 in the first quarter of this year, valuations have increased once again. While we do not think stocks are expensive, they are not as cheap as they were at the end of 2018.

Although we anticipate positive earnings growth in 2019, we believe it will be slower than it was last year. As a result, we move the valuations gauge back to a slow forward position.

Our Outlook:
Shifted to Slightly Positive



Investor Sentiment

After notable swings over the past few quarters, investor sentiment has settled around the middle of the road—not overly pessimistic and not overly optimistic.

As a result, we move the gauge back to a neutral position.

Our Outlook:
Shifted to Neutral



Interest Rates

We believe interest rates are still having a neutral impact on the U.S. economy at this point. Interest rate levels remain low from a historical perspective, but the shape of the yield curve is very flat after a brief stint in inverted territory late in the quarter.

We keep the Interest Rate gauge in a neutral position for now and will be closely monitoring the direction of interest rates and the shape of the yield curve as we move through the year.

Our Outlook:
Remains Neutral

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