

### **Monthly Market Commentary**

We hope that you remained safe and warm over the past several weeks. It is not too often that you get a foot of snow and recording breaking cold all in one week! Global markets started the year on a positive note after a weak and volatile fourth quarter. Investors breathed a sigh of relief as the FED finally paused and guided to a more patient approach on the path for rate hikes and policy normalization. As previously mentioned, we were concerned about a hawkish FED policy at a time when global growth has been slowing. Economic data has continued to slow, and the International Monetary Fund has reduced its growth projections for 2019. In the US, certain data has been delayed due to the closure of the Commerce Department in the midst of the government shutdown, which has likely clouded the direction for the US economy. Earnings for the fourth quarter of 2018 have been mixed with 34% of companies in the S&P 500 reporting aggregate revenue & earnings growth of 5.7% & 14.5%, respectively. This compares with an aggregate revenue & earnings growth of 8.6% and 28.4% in the third quarter of 2018. In absolute terms, these growth rates are still strong; however, we believe the selloff we saw in markets was a function of the market re-pricing forward expectations on growth in 2019 as comparisons get tougher. We expect to see more “chop” in markets if the economy and earnings continue to slow. The market is also optimistic on the potential for an interim deal between the U.S. and China, which would likely ease some pressure on the global economy. As we continue to receive confirmation on the economic backdrop, we will be more comfortable with full exposure. Until then, we prefer to hold a slightly higher level of cash.

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