



# WEALTH MANAGEMENT INTERNATIONAL, LTD.

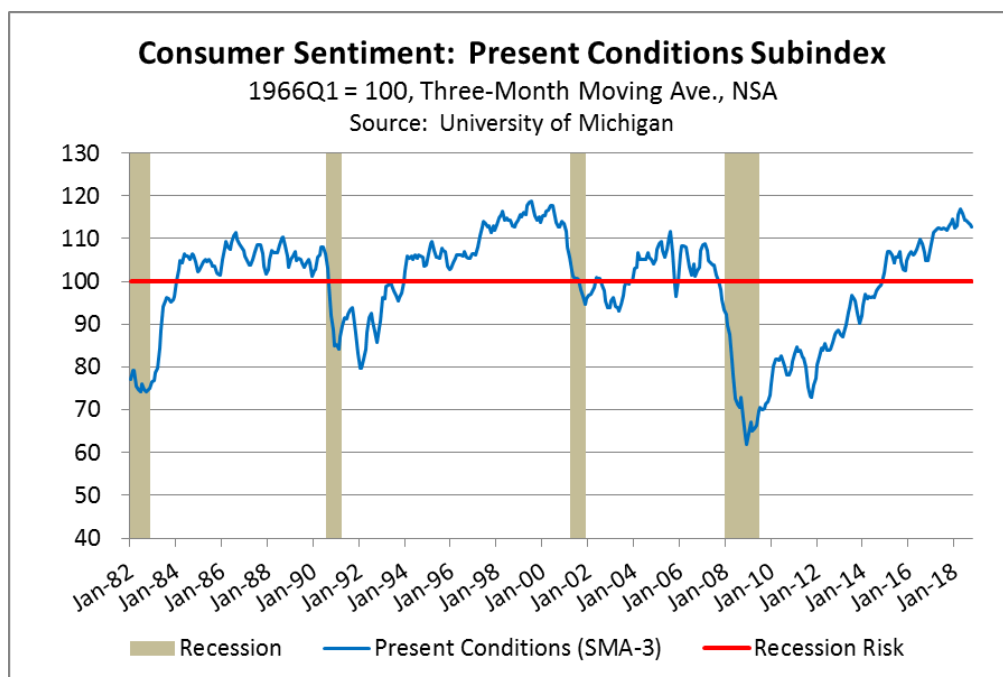
Proactive Investment Management & Financial Planning

## Economic Chart of the Week October 31, 2018

Investors sold stocks aggressively and pushed down prices in October, almost as if they finally started paying attention to the future risks that we've been writing about for months – such as the possibility of excessive inflation, higher interest rates, and disruptive trade policies. All the same, we think the sell-off was excessive when considering how good the current economic fundamentals are. For now, the U.S. economy is still growing quite well, in large part because of the tight labor market and strong consumer spending. We therefore think corporate profits will keep improving and stock prices can start moving higher again in the near term.

To gauge whether consumers remain confident enough to keep spending, one data series that we consider is the University of Michigan's biweekly consumer sentiment index. In particular, we closely follow the subindex on consumers' assessment of current economic conditions. As shown in this week's chart, the subindex on current conditions has often signaled a recession when it reached 110 and then dropped back below 100. What we find encouraging is that the subindex moved above 110 back in early 2017 and has remained there ever since. Admittedly, the subindex has softened a bit in recent months, and we're watching closely to see if it continues to soften. Nevertheless, the figure remains well above the level that would signal imminent problems. That tells us that a recession and a prolonged bear market are probably still off in the future. While it's true that we recently started to modestly cut our exposure to stocks in consideration of the increasing future risks, we think it's too early to cut stock exposure dramatically. We remain optimistic that stocks can bounce back and move higher before a more serious, longer lasting downturn might take hold down the road, so to date, we've only cut our stock allocations slightly below our long-term targets.

Patrick Fearon, CFA  
Chief Investment Officer



© Wealth Management International, Ltd.

23131 North Lake Pleasant Parkway | Peoria, AZ 85383 | 623-875-5204 | 1-888-91-ASSET

To find out how we use our research in an effort to build better investment strategies, see our website at [www.wealthadv4u.com](http://www.wealthadv4u.com). Advisory services offered through Wealth Management International, Ltd. (WMI), or AdvisorNet Wealth Management (AWM), SEC registered investment advisors. WMI and AWM are not affiliated.