



# WEALTH MANAGEMENT INTERNATIONAL, LTD.

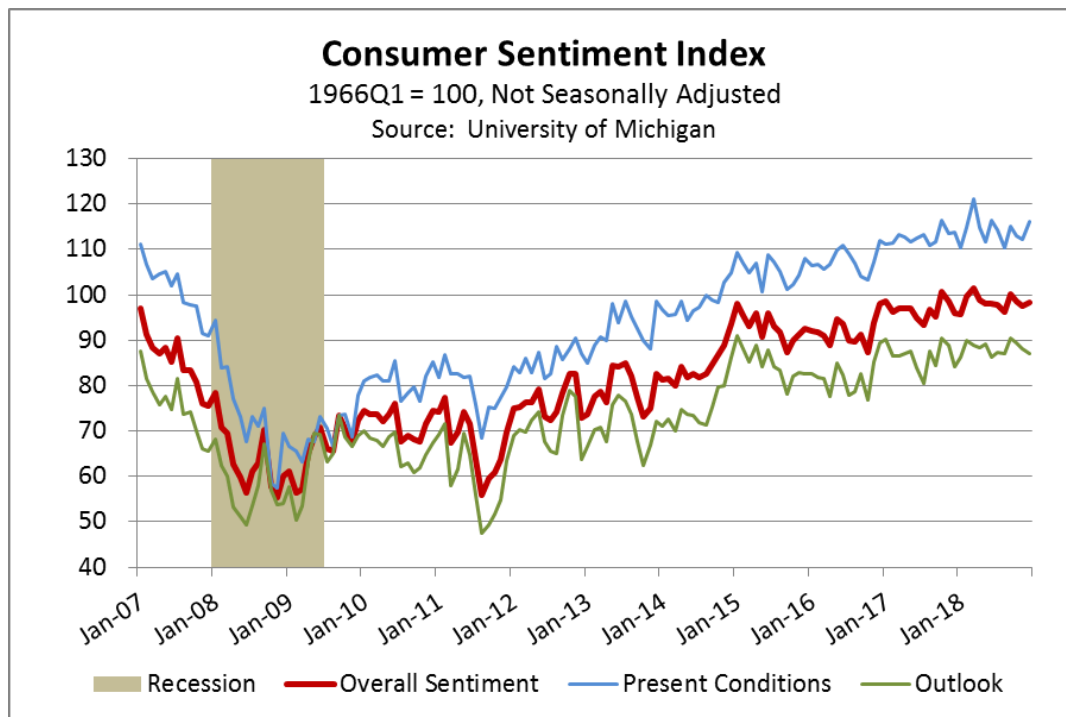
Proactive Investment Management & Financial Planning

## Economic Chart of the Week December 26, 2018

Most observers of the financial markets – including ourselves – seem to recognize that the steep decline in the stock market in recent months is inconsistent with the current trends in actual economic activity and corporate profits. Economic growth is indeed moderating, but not all that much. It looks increasingly like the sell-off in stocks is coming mostly from computer-generated sell orders, disruptive government policy changes, and mismanaged communications by political leaders.

All the same, there is some possibility that the downtrend in the market could feed back into the real economy in a negative way. That would be especially true if the market turmoil undermines consumer and corporate confidence. Fortunately, as shown in this week's chart, a key index of consumer optimism remains at elevated levels. The University of Michigan's monthly consumer sentiment index currently stands close to its highest level since 2004. The subindex on consumers' view of current conditions is actually still rising, which we believe should help provide powerful support to the stock market. It is true that there's been a flattening out of the subindex on consumers' expectations for the future, but our analysis of historical trends suggests that isn't as important as the uptrend in the current conditions subindex. In any case, we'll be watching closely to see if the current market volatility eventually starts to push these indexes downward. If we do see such a turndown, it might be an early sign that the turmoil is having a real-world impact on the economy, in which case we would be more likely to accelerate our efforts to cut our exposure to stocks and other riskier assets again. If these indexes don't start to decline, we think the chances of a stock market recovery would improve, and we probably wouldn't feel so compelled to cut our stock exposure ahead of schedule.

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.