



# WEALTH MANAGEMENT INTERNATIONAL, LTD.

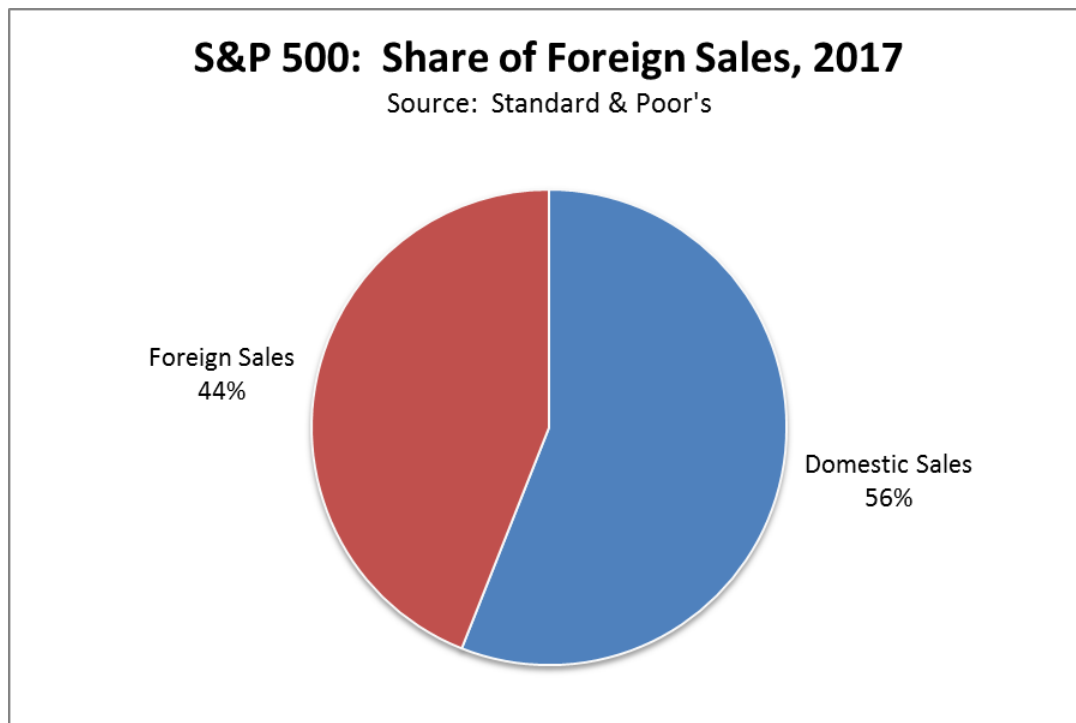
Proactive Investment Management & Financial Planning

## Economic Chart of the Week January 23, 2019

By all accounts, a key reason for the big stock-market correction during the fourth quarter was that investors started to worry more about slowing economic growth around the world. Most observers (including ourselves) merely foresee a moderation in U.S. and foreign growth after an unsustainably strong increase in 2018. The question is why that prospect has scared investors so much.

Even if U.S. economic growth merely moderates as we expect during 2019, and even if there is no worsening in the current trade disputes between the United States and other countries, slower growth abroad would likely weigh on U.S. exports. However, exports account for only a limited share of the U.S. economy – just 12% to 13% of gross domestic product (GDP) in recent years. We think the more important issue is that many U.S. companies also produce their goods and services abroad in order to better serve their customers. As shown in this week's simple chart, that means that on average, foreign sales account for a very large share of revenues for the big, multinational companies that dominate the S&P 500 stock index. Any significant slowdown in growth abroad could therefore not only have a negative impact on exports from U.S. production facilities, but it could also weigh on many U.S. firms' total sales growth and profitability. That's especially the case if the U.S. dollar remains strong or appreciates further. The fourth-quarter profit reports that have come out so far have been largely positive, which has helped support the ongoing recovery in the stock market. We currently plan to keep our allocations to stocks right where they are in order to ride the recovery upward for at least a while. However, slowing growth abroad remains a threat for later in 2019, so we still expect to cut our stock allocations again at some point in the coming months.

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Chief Investment Officer



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