WEALTH MANAGEMENT INTERNATIONAL, LTD.
Proactive Investment Management & Financial Planning

Economic Chart of the Week
January 30, 2019

Large-cap U.S. stocks have rebounded nicely since their recent low on December 24. At the close of trading yesterday, the S&P 500 stock price index was up more than 12.5% from that date. However, some sectors are doing better than others. To best measure the returns an investor might have actually gotten since the low point of the correction, this week's chart looks at the price performance of the major exchange-traded funds (ETFs) that track each sector.

The chart shows the best-performing sectors since the market low have been the industrials, energy, and financials. Some of their recent out-performance probably just reflects the fact that they had been sold off so excessively during the correction. However, it's important to note that all these stock sectors are relatively sensitive to expected economic growth. Their recent out-performance helps confirm to us that investors have now reversed their fourth-quarter panic about the economy and have substantially upgraded their view of near-term prospects again. In contrast, the key laggards since December 24 have been the ETFs tracking the most defensive sectors, i.e., utilities, consumer staples, and healthcare. They've been under-performing because investors piled into them as a safe haven during the correction, pushing their prices excessively upward. Now that investors are less concerned about a sharp economic slowdown, they no longer see as much value in them. We think that could eventually work out in our favor. Although we want to ride the current rebound upward with our remaining exposure to the more cyclical sectors, we still see growing future risks for the economy and plan to eventually rotate some of our stock exposure into the defensive sectors to capture their relative stability. If the defensive sectors continue to under-perform, we may be able to buy them at a good price once the current rebound in economically sensitive stocks starts to peter out.

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