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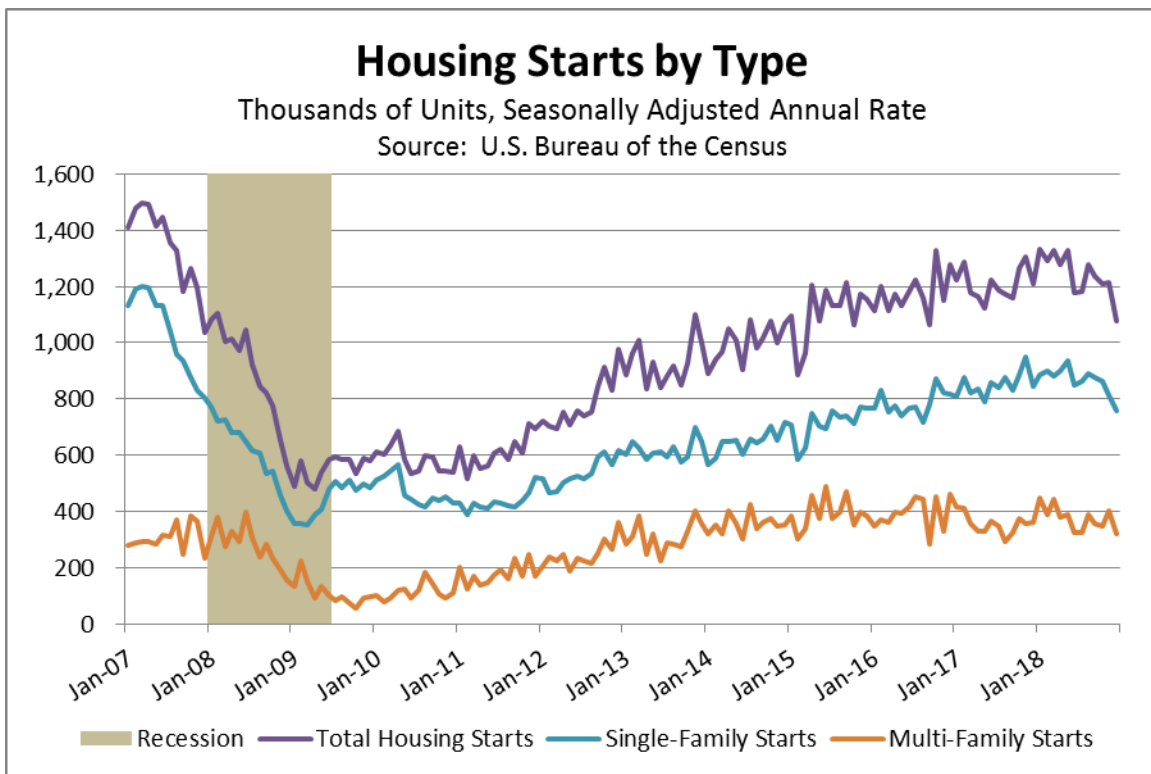
Proactive Investment Management & Financial Planning

Economic Chart of the Week February 27, 2019

In spite of the continuing rebound in the stock market and the fact that overall U.S. economic activity is still expanding, we're seeing more signs of softness in certain areas. This week's chart provides more detail on an issue we've already flagged in the recent past: A significant downturn in homebuilding.

For the last several years, virtually all the growth in the nation's overall housing starts has come from the single-family sector. As shown in the chart, groundbreakings for new multi-family units have generally been stagnant, albeit at a relatively high level. Beginning in early 2018, however, factors like high costs and rising interest rates started to weigh heavily on the market for new single-family homes, and, later, on apartments, too. Data released this week indicate total December housing starts were down a sharp 11.9% from the same month one year earlier. Residential groundbreakings are now at their lowest level since September 2016. We do hold out hope that the various parts of the housing market could get a second wind from continued income growth, milder price increases and the Federal Reserve's apparent stand-down on further interest-rate hikes. The problem is that the slowdowns to date in housing and other sectors could drain enough of the economy's momentum that it can't regain its previous strength. In that scenario, the economy would be more susceptible to further slowing or an outright downturn. In light of the growing risks that we see, we continue to gradually cut our exposure to stocks and other riskier assets across our various strategies.

Patrick Fearon, CFA
Lead Portfolio Manager



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