



# WEALTH MANAGEMENT INTERNATIONAL, LTD.

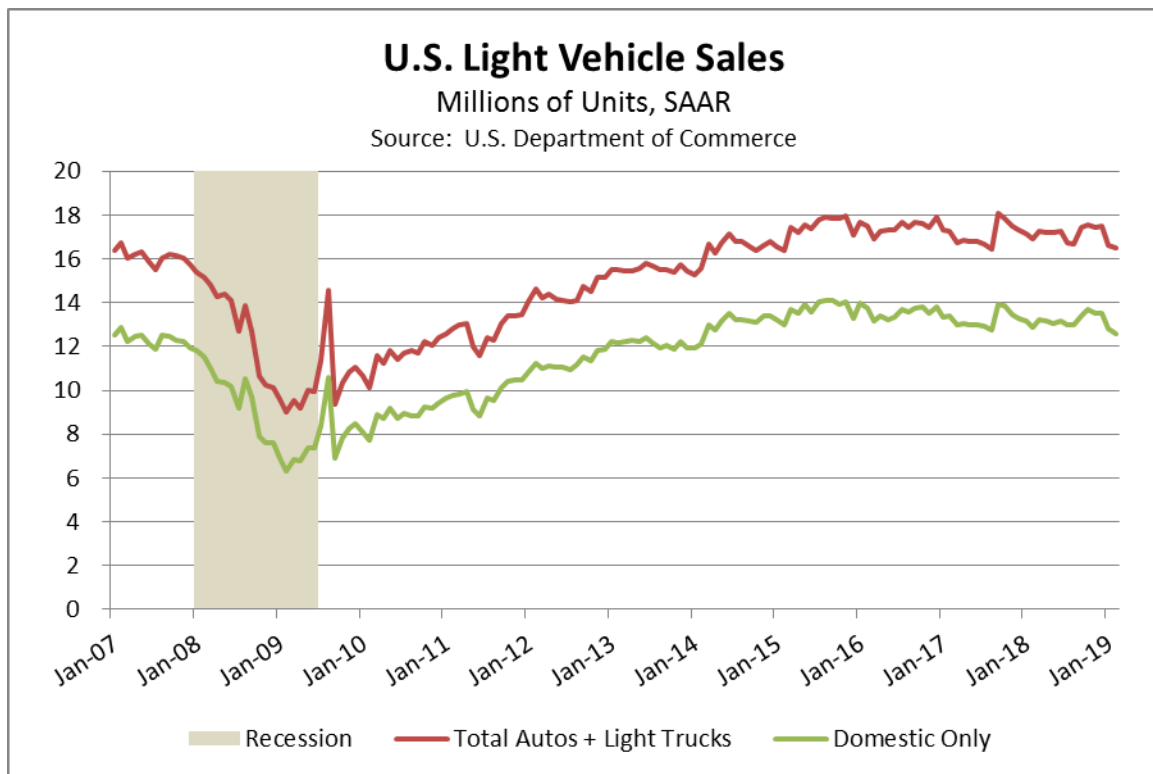
Proactive Investment Management & Financial Planning

## Economic Chart of the Week March 6, 2019

As we've noted before, we think the faltering U.S. housing market provides significant evidence that the inflation and interest-rate hikes to date through 2018 may have already done their damage to the economy. Now, however, we think higher prices and tightening monetary conditions may be having a negative impact on the auto market as well.

U.S. auto sales remain historically high, but as shown in the chart, the annualized selling rate has actually been stuck in a range of about 16 to 18 million units for more than three years. Looking past the volatility in the series, you might even say sales have been in a slight downtrend for the last year or more. Stagnant-to-falling auto sales may partly reflect broad, longstanding issues like limited demand from the Millennial generation and the improved quality of today's vehicles (which allows people to hold on to their cars longer before replacing them). All the same, we suspect the stagnation or softening shown in the chart also comes from cyclical issues, like higher interest rates and tighter lending standards on auto loans as delinquencies rise. The problem is that the slowdowns in housing, autos, 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, 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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23131 North Lake Pleasant Parkway | Peoria, AZ 85383 | 623-875-5204 | 1-888-91-ASSET

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