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

Weekly Economic Recap & Comment
Week Ended March 22, 2019

This week's key news came from the Federal Reserve. The ***Federal Open Market Committee (FOMC)*** held its benchmark "fed funds" interest-rate target at the previous range of 2.25% to 2.50%, as widely expected. Perhaps more important, the policymakers also published a new set of economic projections that indicated they don't expect to hike rates any further this year, as we've been anticipating. They even signaled they would soon wind down their program of bond sales, which we think would amount to a loosening of monetary policy. We believe these moves should help keep the overall economy growing in the near term, even as some sectors are softening and headwinds are accumulating. Continuing growth should help keep domestic corporate profits on the upswing for now, so we are maintaining a significant exposure to equities for the time being (in our strategies that include them). The problem is that the Fed may have stopped hiking rates too late. With the economy much less dynamic than in decades past, there's a chance that the inflation and rate hikes to date may have already done their damage, and growth could now slow substantially further. Besides, foreign demand is still weakening, which will hurt both exporters and those U.S. firms that produce and sell abroad. There are also yellow flags in the government policy environment, such as risky posturing in national security and international trade disputes, and political risks are increasing as investigators make more progress in their examination of high-level scandals. Because of those risks, we continue to gradually trim our exposure to stocks and other riskier assets across our various strategies, although we think we've kept enough exposure at present to take reasonable advantage of the ongoing technical recovery in stocks for as long as it lasts.

Almost all the major data releases this week were consistent with our thesis that even though the economy is still growing, risks are accumulating. For example, ***January factory orders*** rose by a seasonally-adjusted 0.1% for a second straight month, but that did little to reverse their revised declines of 0.5% in November and 2.1% in October. Overall factory orders in January were up a modest 3.8% year-over-year, with orders for durable goods up 7.9% and orders for nondurables unchanged. However, those figures were all much weaker than the annual gains posted as recently as last summer.

In more recent data on manufacturing, the Philadelphia Federal Reserve's ***March Philly Fed Index*** rebounded to 13.7 from -4.1 in February. Since this index is designed so that readings over zero point to expanding activity, the report suggests that factory activity in the mid-Atlantic region has now begun to grow again. Unfortunately, the index remains far below the figures commonly posted over the last couple of years, so it appears the region's manufacturing activity has shifted to a lower gear. The report also provides no evidence that manufacturing has rebounded in other regions.

In the energy sector, ***commercial crude oil inventories in the week ended March 16*** fell sharply by 9.589 million barrels. That marked the third decline in the last four weeks, and it was enough to leave stockpiles at a nine-week low of 439.483 million barrels. Inventories are now just 0.1% above their five-year moving average (an industry benchmark that suggests supply and demand are in balance). While that was supportive for oil prices and energy investment, the report also said ***domestic crude oil production in the week ended March 16*** rose back up to its record high of 12.100 million barrels per day. Despite continued U.S. economic growth, rising usage around the world, and reduced exports from big producers (such as Iran and Venezuela), the figures suggest high U.S. production remains a risk for prices and investment in the sector.

In data related to the labor market, ***initial jobless claims in the week ended March 16*** declined by a seasonally-adjusted 9,000 to a level of 221,000. However, the four-week moving average of claims, which helps smooth out some of the volatility in the series, rose to 223,750. The four-week average is now up a full 9.0% over the last six months. With initial applications for unemployment benefits apparently rising again, it appears that layoffs are becoming more common, even if they remain historically low.

Similarly, the mixed trends were evident in an index designed to show how the economy should perform over the coming six months or so. The Conference Board said its ***February index of leading economic indicators*** rose by a seasonally-adjusted 0.2%, but the rise stemmed almost entirely from the current technical rebound in the stock market. Since the increase was so small, it also did little to offset the fact that the index was

© Wealth Management International, Ltd.

either flat or down in each of the previous four months. We would want to see at least a couple more months of good increases in the index before we could get more optimistic about any significant re-acceleration in the economy.

Finally, the week's only data that seemed positive was on the housing market. ***February existing home sales*** unexpectedly surged by a seasonally-adjusted 11.8% to an annualized rate of 5.51 million units, apparently reflecting positive factors such as the end of the federal government shutdown and a pullback in mortgage interest rates. All the same, it's important to remember the jump still wasn't enough to offset the fact that home re-sales had been flat or down in ten of the previous twelve months. Sales in February were therefore still down 1.8% from one year earlier. The median price of an existing home rose to $249,500 in February, for a gain of 3.6% year-over-year, but that was much weaker than the annual gains of almost 6.0% one year ago. We do think the on-going pullback in interest rates could allow the housing market to keep rebounding to some extent, but we think the rebound could be cut short if the broader economy continues to slow and the labor market starts to soften.

Patrick Fearon, CFA
Lead Portfolio Manager

Upcoming U.S. Data

Date	ET	Release	For	Consensus Forecast	Prior
26-Mar	8:00	S&P Case-Shiller Home Price Index	Jan	4.00%	4.20%
26-Mar	8:30	Housing Starts	Feb	1210K	1230K
26-Mar	8:30	Building Permits	Feb	1308K	1345K
26-Mar	9:00	FHFA Housing Price Index	Jan	0.30%	0.30%
26-Mar	10:00	Consumer Confidence	Mar	132	131.4
27-Mar	7:00	MBA Mortgage Applications Index	23-Mar	NA	1.60%
27-Mar	8:30	Trade Balance	Jan	-$57.5B	-$59.8B
27-Mar	8:30	Current Account Balance	Q4	-$126.6B	-$124.8B
27-Mar	10:30	EIA Crude Oil Inventories	23-Mar	NA	-9.6M
28-Mar	8:30	Initial Claims	23-Mar	220K	221K
28-Mar	8:30	Continuing Claims	16-Mar	NA	1750K
28-Mar	8:30	GDP - Third Estimate	Q4	2.50%	2.60%
28-Mar	8:30	GDP Deflator - Third Estimate	Q4	1.80%	1.80%
28-Mar	10:00	Pending Home Sales	Feb	0.50%	4.60%
28-Mar	10:30	EIA Natural Gas Inventories	23-Mar	NA	-47 bcf
29-Mar	8:30	Personal Income	Feb	0.30%	-0.10%
29-Mar	8:30	Personal Spending	Feb	NA	NA
29-Mar	8:30	PCE Price Index	Feb	NA	NA
29-Mar	8:30	Core PCE Price Index	Feb	NA	NA
29-Mar	8:30	Personal Spending	Jan	0.30%	-0.50%
29-Mar	8:30	Core PCE Price Index	Jan	0.20%	0.20%
29-Mar	10:00	New Home Sales	Feb	618K	607K
29-Mar	10:00	Univ. of Michigan Consumer Sentiment - Final	Mar	97.8	97.8

Source: Briefing.com

© 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.
Advisory services offered through Wealth Management International, Ltd. (WMI), or AdvisorNet Wealth Management (AWM), SEC registered investment advisors. WMI and AWM are not affiliated.