

Thursday, December 06, 2018

Good Afternoon,

The rollercoaster ride continues. Last week saw a strong rally on the heels of a very rough prior week. The rally continued on Monday followed by a massive decline on Tuesday. Things were getting very ugly today, as well, but markets have rallied into the closing bell and the 79-point drop on the Dow Jones Industrial Average represents a near **700-point rally** from the lows this morning! Tomorrow morning, we get the employment data from November; we could be in for another fun ride.

Tuesday's rout is being blamed on a couple items. First is the realization that President Trump's "great success" Tweets from the G20 meeting in Argentina over the weekend regarding trade deals with China may have been exaggerated. Imagine that. Companies with significant exposure to China have been pounded. Perhaps more concerning is the discussion of the "inverted yield curve." Simply stated, when short term interest rates are higher than longer term rates, we may be in for a recession. In this case, rates on the 2 Year Treasury exceeded those of the 5 Year Treasury. This is not a totally reliable indicator of recession (vs the spread between the 3 Month and 10 Year Treasuries – which is), but it certainly has some investors spooked.

Oil prices remain in bear market territory as OPEC concludes its meeting in Vienna. That organization is near collapse as the US is now a net exporter of oil and can produce it at much cheaper prices than most OPEC nations need to sell. Many of the OPEC countries are one-dimensional – oil is their only export and source of revenue – and need higher prices to support their government budgets. Their ability to keep oil prices artificially high may be over and big changes may be in store for many of them.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a nice weekend,

Wade

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