

Markets seem to be in a holding pattern as we await news regarding Chinese trade agreements, Brexit and USMCA. We are still of the opinion that these issues will be resolved rationally.

Recently, we have seen a shift to a more dovish stance by central banks which has caused some turmoil in the bond markets. There is an inverted yield curve, which is a phenomenon where short term treasury bonds pay out higher interest rates than the longer term 10 year treasuries. Basically, it indicates that investors are worried the economy will be worse in the future than it is today. This indicator has historically been a warning sign that the economy may see a recession. The curve has likely been affected by the massive stimulus measures way back in 2008 that are being unwound. There is uncertainty at the pace of interest rate increases and how quickly the Fed will deleverage its balance sheet. The recovery from the 2008 financial crisis has been slow and gradual. What we are seeing in the overall economy however, is positive. Employment, wages, GDP as well as business and consumer confidence are healthy in the United States. Canada will likely continue to shadow our largest trading partner.

Interest rates continue to influence the markets. The U.S. Federal reserve is now on hold and central banks around the world are appearing to follow suit. We are seeing signs of improvement in China and will likely see Europe improve with easier financial conditions. This should allow for a rebound in global activity and a softer U.S. dollar which helps emerging markets. The economic cycle will likely continue through 2019, however all cycles end and there will ultimately be a pull back. This is good for the markets and will open the way for the next wave of expansion.

It is important to remember that when the economy slows there are always alternatives that will allow investors to maintain cash flow and keep their plans on track. Dividend paying companies with solid earnings and good potential continue to be our investments of choice.

Have a great month and remember that we are always an e-mail or phone call away.

The Andras Group

*"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."*  
Mark Twain

The Andras Group.

*The Andras Group, Mackie Research Capital  
199 Bay Street, Suite 4500  
Commerce Court West  
Toronto, ON M5L 1G2  
T: 416 860-7765 F: 416 860-8677*