

Greetings!

The divergence in global equity markets finally narrowed in early October as U.S. stocks corrected in response to the 10-year UST yield rising to a seven-year high. Additionally, warnings by several Fortune 1000 companies that trade tensions have put pressure on input costs hit stocks of manufacturers and large exporters. This convergence may actually be a signal of a bottom across global markets with the U.S. continuing to lead. Q3 earnings, due shortly, should provide a lift. Headwinds will include the strong dollar, trade costs, and rates, in addition to coming midterm elections. Should we see rates and the dollar stabilize, the House and Senate GOP majority preserved, and a China trade settlement, the U.S. market could hit new highs and drag emerging markets off the bottom as well. Handicapping the odds of these positive catalysts is difficult, so we anticipate increased volatility in Q4. From a fundamental perspective, it is still a tale of the U.S. economy leading the way, and we will pay close attention to any signs of faltering.

Beyond our short term perspective, the recent move in rates, dollar strength, and PE compression in many cyclical areas like materials, manufacturing, and semis has pushed us to re-evaluate where we are in the market cycle. Our forecast has been “late 6th inning” but our current thinking is moving toward “late 7th inning.” Many of the excesses that come with the end of a bull market are still not evident but we are paying very close attention to China, which has represented close to 50% of world GDP growth over the last 10 years. If that engine, which has been credit-driven, falters, it is going to be difficult to sustain what has been one of the longest recoveries on record. The good news is that any significant slowdown should be met with a central bank pause and given the “data dependence” of central banks globally, any negative growth will be met with quick stimulus.

Separately, our Richmond Wealth Management office is moving to new locations. On December 1, 2018, Ellen Spong and Tom O’Neil will relocate to 1051 E. Cary Street, Suite 1200, Richmond, VA 23219. On December 14, 2018, Stuart Blain, Jess Ellington, Jack Catlett, Barbara Dickinson, Sharon Barcalow and Josh Cohen will relocate to 4355 Innslake Drive, Glen Allen, VA 23060. We look forward to serving you at our new locations!



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