

Echoes of 2016

MSCI ACWI ex-US Index
12/31/2014 – 2/4/2019



- Recent market volatility has felt like an “echo” of 2015-16 with many of the same concerns causing heightened fears of a deep recession.
- Slowing global growth, monetary tightening, commodity weakness and uncertainty over Brexit led to a fear trade that saw Defensive leadership in both periods. This leadership change occurred despite the fact that defensive sectors were expensive, both relative to history and vs. Cyclical sectors.
- Like 2016, we think coming resolutions to many of these concerns should set up 2019 to be better than investors initially feared as trade deals likely get struck, monetary policy becomes unrestrictive, fiscal policy initiatives kick in, a Brexit outcome unfolds and US Dollar tailwinds abate.
- Our fundamentally oriented discipline continues to highlight more Cyclical and economically sensitive parts of the market, which are more attractively valued with better earnings growth profiles than their Defensive counterparts. These areas led after the 2016 trough as fears subsided and growth recovered. We think we are set up for a similar “echo” recovery over the coming quarters.

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Todd's Chart of Interest

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