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Investment Update

The Most Important Week of the Year

Amaury de Barros Conti

Vice President,
Research & Strategy

The past week was labeled the most important week of the year. It did not disappoint.

The first Fed rate cut in a decade, a busy corporate earnings calendar, strong employment and consumer confidence data, trade talks off and additional tariffs on - welcome to a noisy and challenging investment climate!

Over the last year a base-case scenario for higher market volatility and choppiness has evolved. We expect this scenario to continue through the presidential election in 2020.

While central banks will continue to provide support for stocks and the global economic expansion should continue, further strength in equity prices will hinge on improving business and trade headlines.

Historical relationships between different asset classes such as stocks and bonds are being challenged in a world where a third of global debt is trading at negative yields. How is an investor expected to assign a risk premium before purchasing a stock, a company or real estate?

A recent article from one of our managers highlighted that despite having unprecedented access to more information and data than at any other time in our history, people have a hard time thinking for themselves. We could not agree more with the premise that seeking contrarian opinions and debating them is not being rewarded by the market. One such example of this incongruent thinking is reflected in the fact that investors are ignoring value stocks that are trading at a 15-year low valuation spread versus growth stocks trading at all-time highs.

As a fiduciary and long-term investor, we place great value in being patient and not reacting to market noise. We are intellectually honest with ourselves and believe in the power of portfolio diversification and asset allocation. Although we cannot time the market, we remain steadfast in our investment discipline to mitigate this expected market volatility.

250 W. NOTTINGHAM, SUITE 300 | SAN ANTONIO, TX 78209 | 210.805.0171 | SENDERO.COM