

Cumberland Advisors Market Commentary – 3Q19 Review – US Equity ETF

Volatility and uncertainty characterized the third quarter of 2019.



For the first two months the markets were buffeted by China trade war effects and threats, geopolitical uncertainty (Iran, North Korea), turnover in the Trump Administration (Bolton), tweets bashing the Fed (Trump), negative interest rates spreading worldwide (\$17 trillion, mostly Europe). By the end of August, sentiment had deteriorated, and signs of seller exhaustion appeared in some of our quantitative indicators. In the week before Labor Day weekend, we became nearly fully invested in our US equity ETF accounts. As we proceed through September, that appears to be a correct deployment. As this is written (mid-September), we are fully invested. There is a negligible cash reserve in the US Equity ETF strategy and in the core US ETF accounts. We expect the US stock market to close the year at new all-time highs. We see interest rates remaining low, the Fed in an easing bias (no chance of any hiking), and US fiscal policy highly stimulative as the Trump deficits cross \$1 trillion. This is a powerful mixture of fuel for higher stock prices. Events could alter this forecast, and our portfolios may change at any time. Trump initiatives and responses are unpredictable. His behavior rattles markets. And the political season intensifies. One worry is the growing discussion of a wealth tax and a financial transaction tax. If markets begin to believe that those measures are likely, a negative revaluation of stock prices could occur.

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