February 4th, 2019

It's really a matter of perspective…

After stocks had their worst December performance since 1931, they followed it up with the best January since 1987. So much for efficient markets, right? Sure, we've had some meaningful changes over the last six weeks that required a rethink of the prevailing market narrative – namely on the part of the Fed – but I would submit that the price action over the past two months is representative of a market that has gone completely manic. In hindsight, it's easy to argue that the 20% decline in the S&P over a matter of two months was way over done, even if the

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

collective market view was pricing in rapidly increasing recession odds. After all, leading up to the start of the last two recessions, it took six months to pull the S&P 500 down 20% in 2000 – 2001, and nine months in 2007 – 2008. At the December lows, many stocks were down between 30% and 40% and nearly three-quarters of the S&P 500 was trading down 20%, so yes, a lot of bad news was priced in at that time.

So here we are, with the S&P 500 now having rallied 15% off those December lows, and it amazes me how quickly many investors have forgotten what created the Q4 maelstrom in the first place. They say a picture is worth a thousand words, so I'm going to do my best to let some charts do most of the talking in this missive, but when I leaf through the charts below what I see is a pretty consistent picture of a variety of major stock market indices that

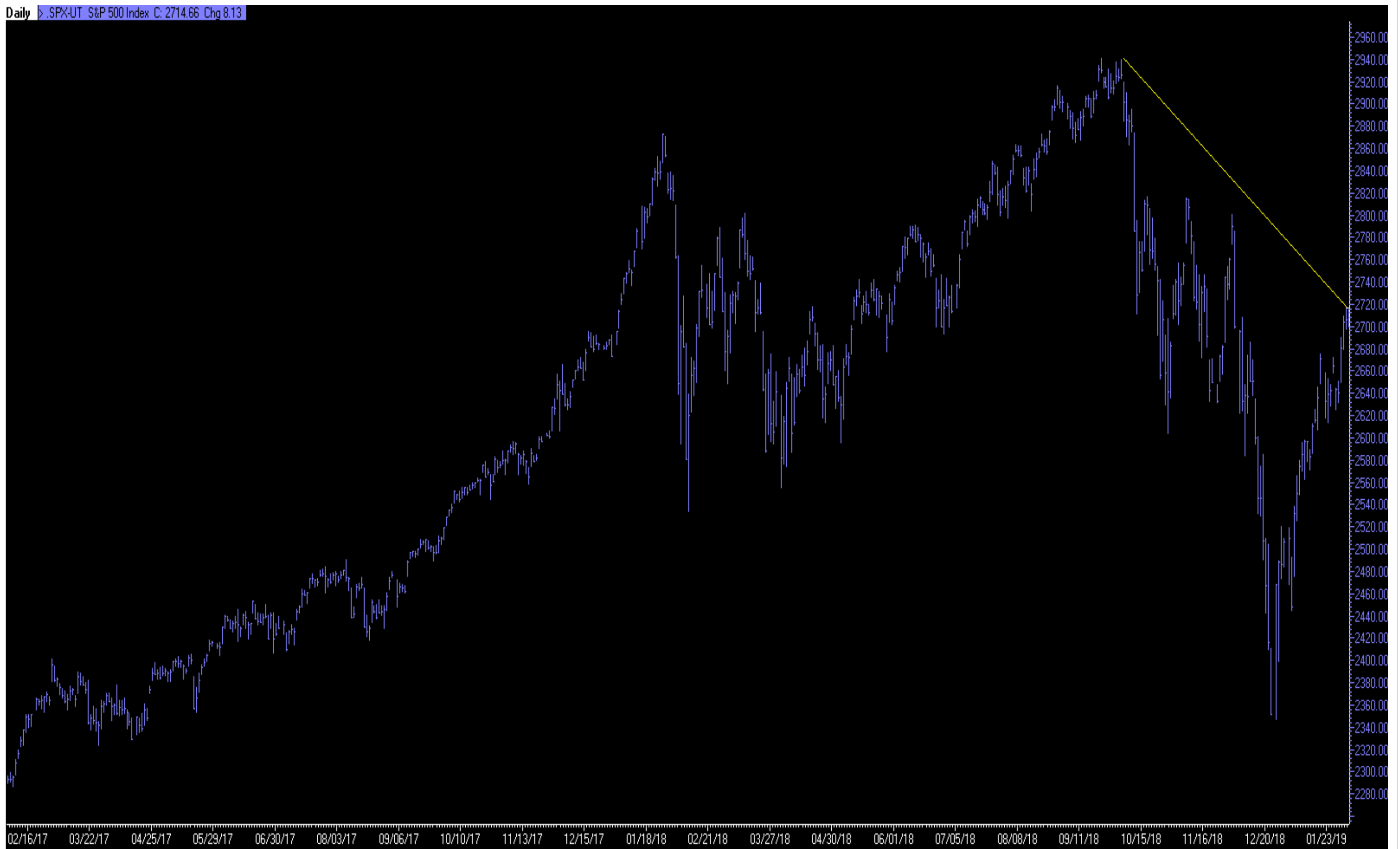
The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

have gone through sell-offs where the ensuing rallies have failed to make much progress from a big picture context, and where the subsequent highs are becoming lower and lower. That is bearish pattern, not a bullish one.

Dow Jones Industrial Average:

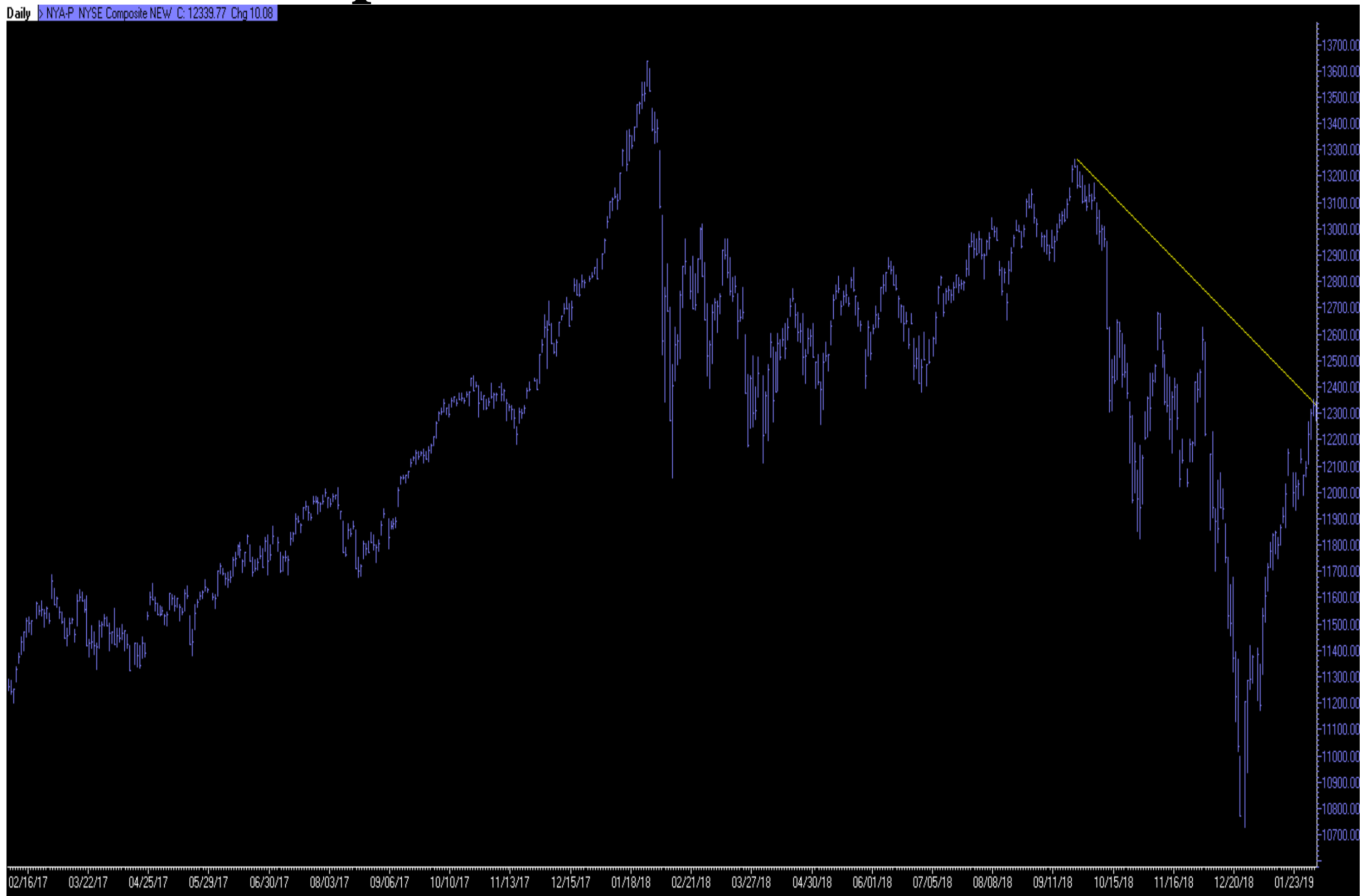
The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

S&P 500:



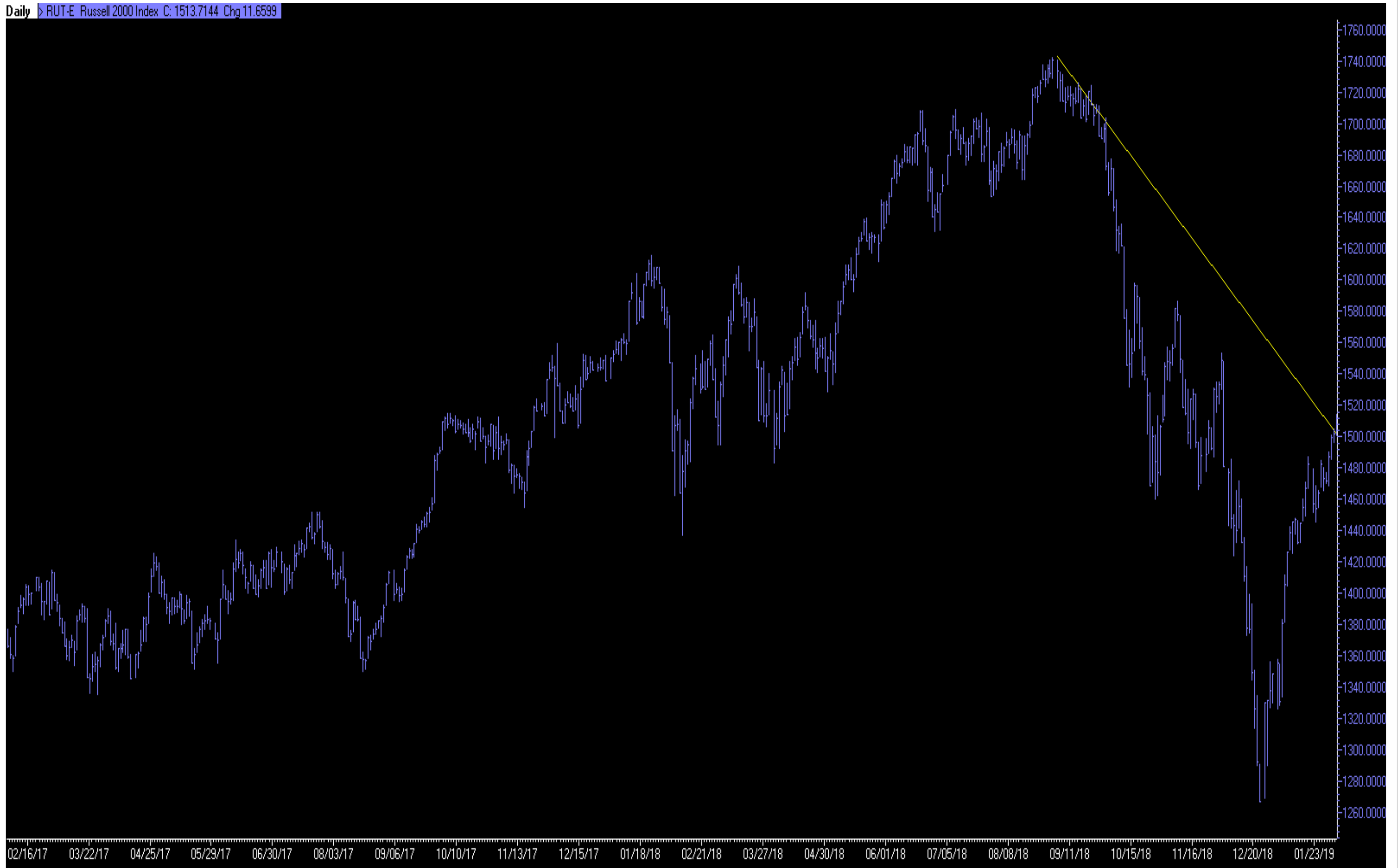
The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

NYSE Composite:



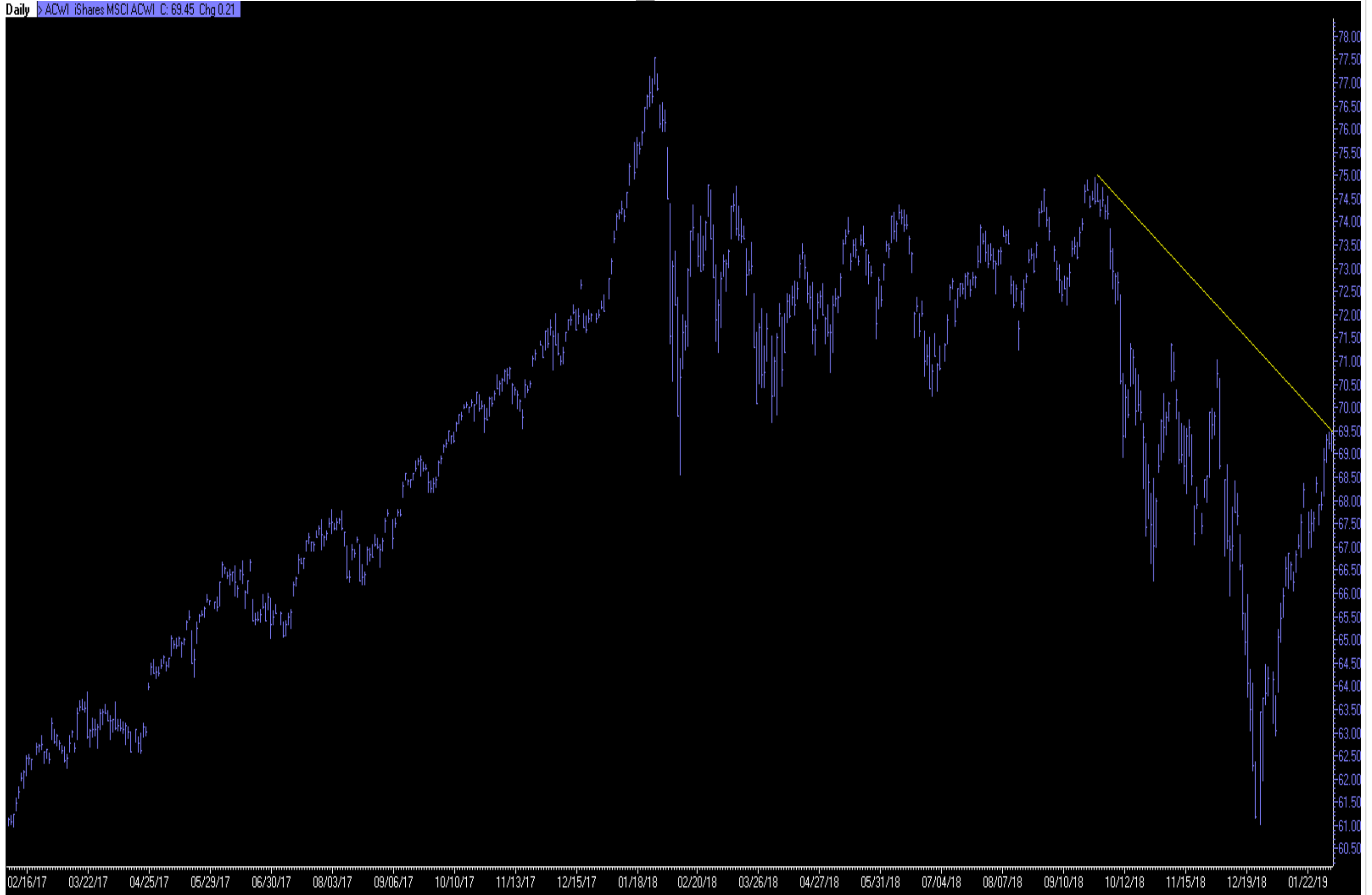
The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

Russell 2000:



The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

iShares MSCI All-Cap World Index:



Admittedly, this current rally has gone beyond my expectations, but we are now at the point where we are reaching the last of the Fibonacci retracement levels, the VIX has succumbed to levels it last saw at the peak in late September, investor sentiment has shifted quite precipitously bullish, and positioning is no longer bearish. No doubt, there have been

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

some meaningful catalysts to provoke such a drastic about-face in the equity markets.

The Fed's 180° pivot in monetary policy over the course of the last three months, for one, is rather noteworthy, having gone from a rate-hiking stance where the FOMC was guiding markets to expect two-to-three hikes in 2019 as recently as October, to now the Fed funds futures market leaning towards the next move by the Fed being an interest rate cut. On top of that, the Fed has gone from the balance sheet reduction policy being on auto-pilot to now being "flexible" on lowering the current pace of $50 billion / month in run-off.

The initial knee-jerk reaction by markets on this file is textbook, with risk-assets celebrating the return of the Fed 'put'. But I would encourage investors to brush up on their history of Fed pivots this deep into a rate

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

hiking cycle, as it is typical for Fed policy to shift in a quick and decisive manner when they see a turning point in the cycle. What's more, is that it really is only a matter of months from when the Fed goes from a 'bias to tighten' to the next move actually being a rate cut. On average, it has taken the Fed just two months to shift from a pledge to raise rates to an actual 180° turn to cut rates once it recognizes that the peak of the cycle has been turned in.

So, what investors are witnessing first hand is the early stages of an easing cycle, and if you can recall just a few short months ago, when the yield on 10-year Treasury was peaking in Q4 last year, the yield curve was pricing in another 2 – 3 hikes in 2019. At the current time these rate hikes have been priced out by the markets, hence we've seen the yield on the 10-year Treasury fall from its peak of 3.23%

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

to 2.62%. So, in a sense, capital markets have already been the beneficiary of loosening financial conditions over the last six weeks and this has taken some of the immediate pressure off the system.

What is important to watch going forward is how the economic data continues to come in from here. Should things stabilize in the near-term and perhaps pick-up a little steam in Q2 / Q3, then this current rally could be viewed as something more substantial than just a short-term relief rally from oversold conditions. One of the few data points that actually surprised to the upside recently was last week's January ISM manufacturing survey which moved up to 56.6 from 54.3 in December (the consensus was looking for a print of 54.0 – so this was a nice beat). The January rebound recouped just over one-third of the ISM decline from the 2018 highs.

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

Overall, the internals of the report were okay (production and new orders ticked up while exports and employment softened). However, what really stood out in the report was the uptick in the inventory segment to 52.8 from 51.2 in December, with 56% of industries reporting "higher inventories". That compares to 44% a year ago and represents the highest such level ever recorded for this time of year. This tells me that not only do companies have some excess inventories to unwind (a drag against production), but this was yet another report that indicates that companies were pre-ordering and inventory building in advance of any further escalation on the trade war file.

Now some may be wondering why I'm not melting over the jobs report released on Friday, which showed 304k jobs being created in January. True, the headline numbers looked great, but the guts of this report had

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

more holes than a block of Swiss cheese. My mother-in-law of all people (she's not in this profession, but she's a sharp woman and has a keen interest in this trade) texted me following the report and voiced how encouraging the news sounded. Well, in as respectful of a fashion as I could muster, I went on to express to her the several data points within the report that just didn't pass the smell test for how great the media was making this report out to be:

- First of all, 122k of the 304k new jobs created in January came from the Birth-Death model, which is just a BLS estimate on net new business formation. You don't like to see over 1/3rd of the job gains in any report coming from a model rather than companies confirming new hires.

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

- The Household survey actually showed -251k in job losses on the month with the nonfarm private sector showing a decline of -130k. History shows that between the two employment surveys (the Establishment survey and the Household survey) it's the Household survey that has a better track record at calling turning points in the cycle. For example, in December 2007 the Establishment survey showed a solid 110k in job gains while that same month the Household survey showed a decline of -322k jobs. Same thing happened in March 2001 when the Establishment survey showed job growth of 92k while the Household survey showed job losses totaling -166k. Both of those months marked the start of the last two recessions – not a forecast, but rather just an observation. Over time these

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

two surveys tend to converge, but when you're deep into an economic cycle and on the lookout for data points that could be indicative of a turn, it's the Household survey that you want to make note of.

- What was also troublesome about the jobs report was seeing the prime working age demographic age cohort (25 – 54) showing job losses to the tune of -46k. This marks the third consecutive month of decline (-11k in December and -48k in November) and the last time we saw a trend like this was October 2009 – a period when we weren't quite sure whether or not we were still in the GFC.
- Last item I'll point out, and it's one I'm watching very closely at the present time, and that is the trend in the U-3 and U-6 unemployment rates. The U-3 (this

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

is the metric most often cited) ticked up again to 4.0% from 3.9%, to its highest level since June 2018. Let me be clear on this next point – it's not the absolute level on this metric that is important at this time, it's the rate of change that matters – and the unemployment rate is up 0.3 percentage points from its cycle lows. As I've mentioned in previous missives, history shows that on average it only takes a 0.4 percentage point increase off the cycle lows on this metric before the recession hits. Dating back to 1950, at no point has the U.S. economy experienced a 0.6% increase in the unemployment rate without the NBER calling a recession. The point is to watch this metric very closely going forward.

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

As for the broader U-6 unemployment metric, it jumped to 8.1% from 7.6% and is now up 0.7 percentage points from the cycle low of 7.4% reached in August 2018. This metric rose 0.9 percentage points before there was no turning back just prior to the 2008 recession, and it only ticked up 0.5 percentage points by the time the downturn hit in 2001. The below chart plots the level of the U-6 unemployment rate where it's getting more difficult with each passing report to excuse what looks to be a definitive change in trend.

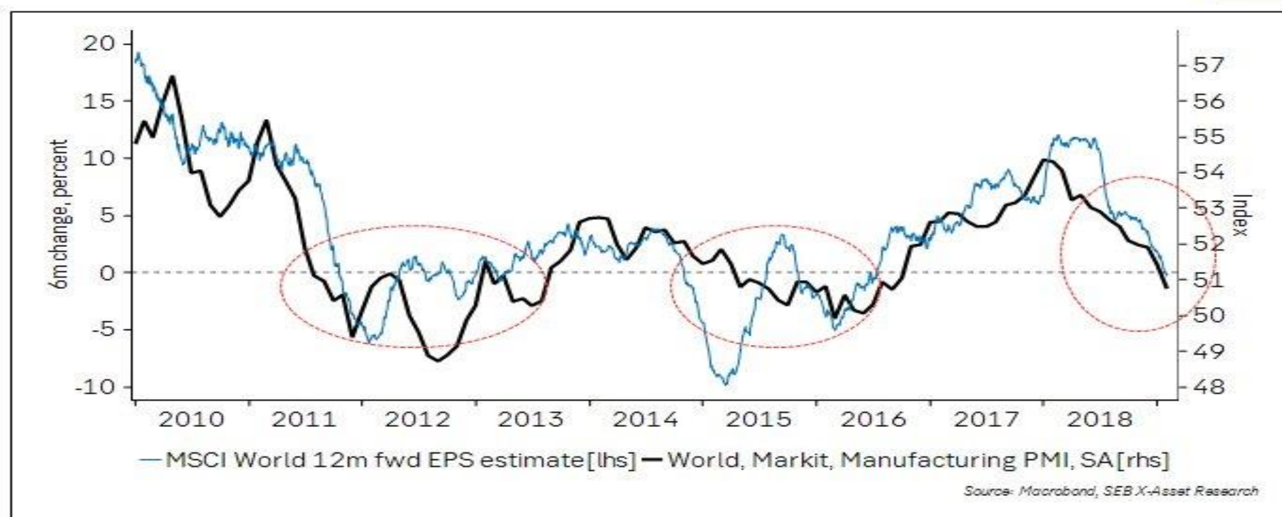
The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

Unlike with my mother-in-law, I'm not going to go off on a rant in this missive like I did to her – crucifying professionals in this trade for not getting their hands dirty by digging into some of these data points, but rather taking the easy path of just accepting them at face value.

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

As you'll see in the charts below, don't get lulled into a false sense of security as if everything is unicorns and rainbows going forward. The global economy is in a very fragile and weak state. The U.S. economy has held up better than most, and the Fed pivoting is a welcomed acknowledgement by them that they have to back off given this underlying vulnerability. I still lean in the direction that they have already tightened too much, but this is just a lean at this point. What we need to see is the data from the rest of the world stabilize in the not too distant future, and to me that is what this recent rally in the global economic market is banking on. However, it hasn't happened yet as you can see from the below chart that shows World Manufacturing PMI dropped sharply in January and is at its lowest level in over two years.

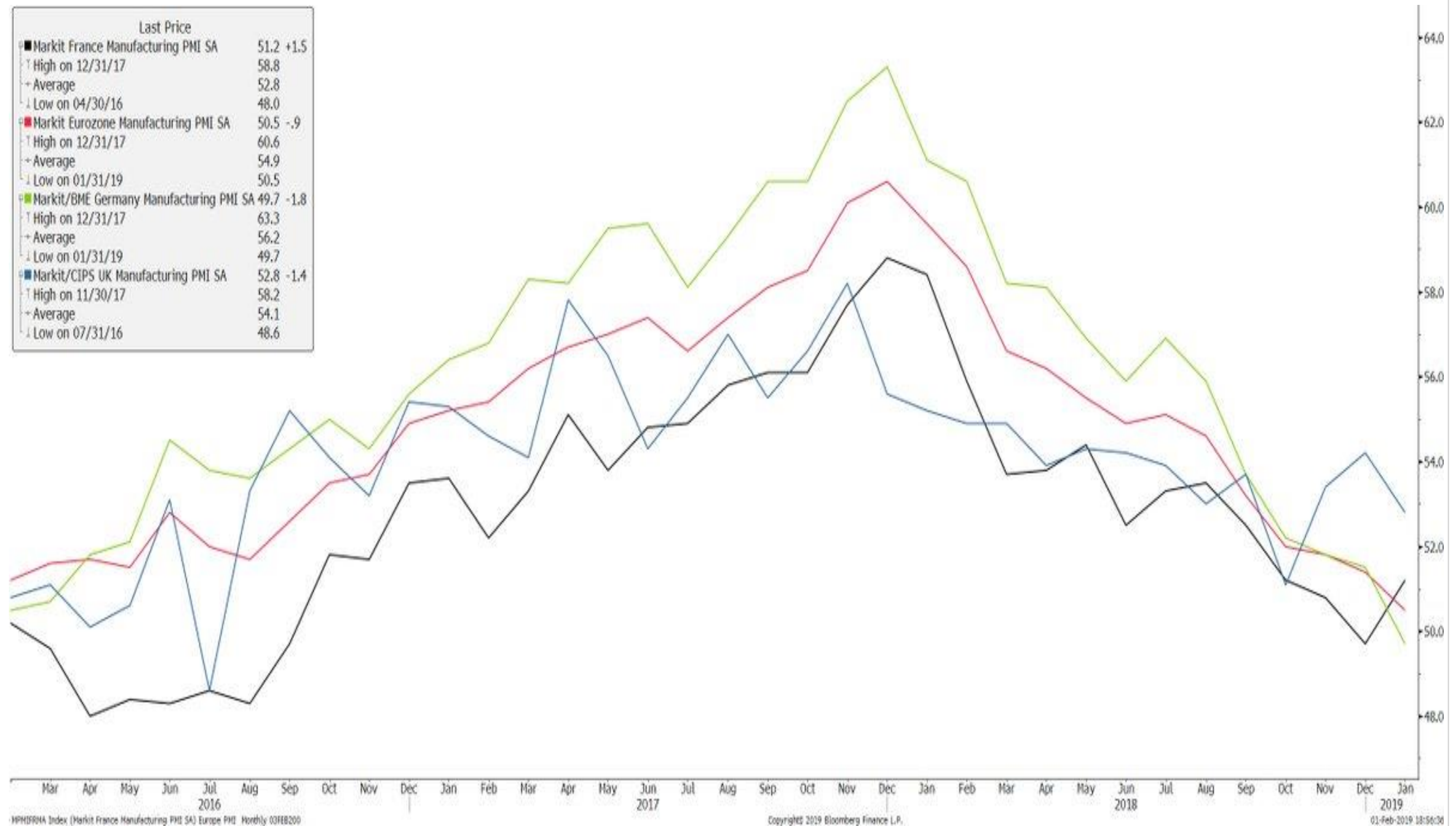
The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.



The below chart plots the trend in Manufacturing PMI's for the Eurozone, France, Germany, and the UK. The Eurozone as a group is actually larger on a GDP basis than the U.S., so this downtrend that has been underway since the beginning of 2018 needs to moderate ASAP. What's even more disturbing is that interest rates in most Eurozone regions are still in negative territory (Germany & France) or even below comparable U.S. maturity levels (Italy, Portugal, Ireland, UK and Spain) – so what policy options can the ECB implement to

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

counter-act a sustained downturn in economic activity, let alone a recession?



The story isn't much different in Asia with recently released Manufacturing PMI's weak across the board: China 48.3 (five year low), South Korea 48.3 (lowest since July 2018), Taiwan 47.5 (five year low), Japan 50.3 (lowest since September 2016), Indonesia 49.9 (one year low), and Vietnam 51.90 (lowest

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

since September 2018). Let me remind you that any reading on this metric below 50 connotes an actual contraction in activity. It will be interesting to watch these reports over the next couple of months to evaluate whether or not the recent stimulus out of China is having any impact.

As much as we'd like to believe it to be the case, there is no such thing as decoupling, so

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

if you think this pernicious weakness in the rest of the world won't affect the U.S., think again. We're already seeing consumer sentiment take a meaningful step lower according to the latest releases from the Conference Board, and the University of Michigan survey plunged to 91.2 in January from 98.3 in December. This marked the lowest consumer sentiment reading since October 2016 (just prior to the election) and the one-month slide was the steepest since December 2012. Folks, this is a January survey, so these results include the strong rally we've seen in the stock market and even that hasn't provided any lift to this report. Perhaps we'll see this show through in the next reading, but this report was all about the labor market and the economy. As for the labor market, and this is just a fascinating example of something that doesn't in anyway confirm the rosy employment picture we saw in

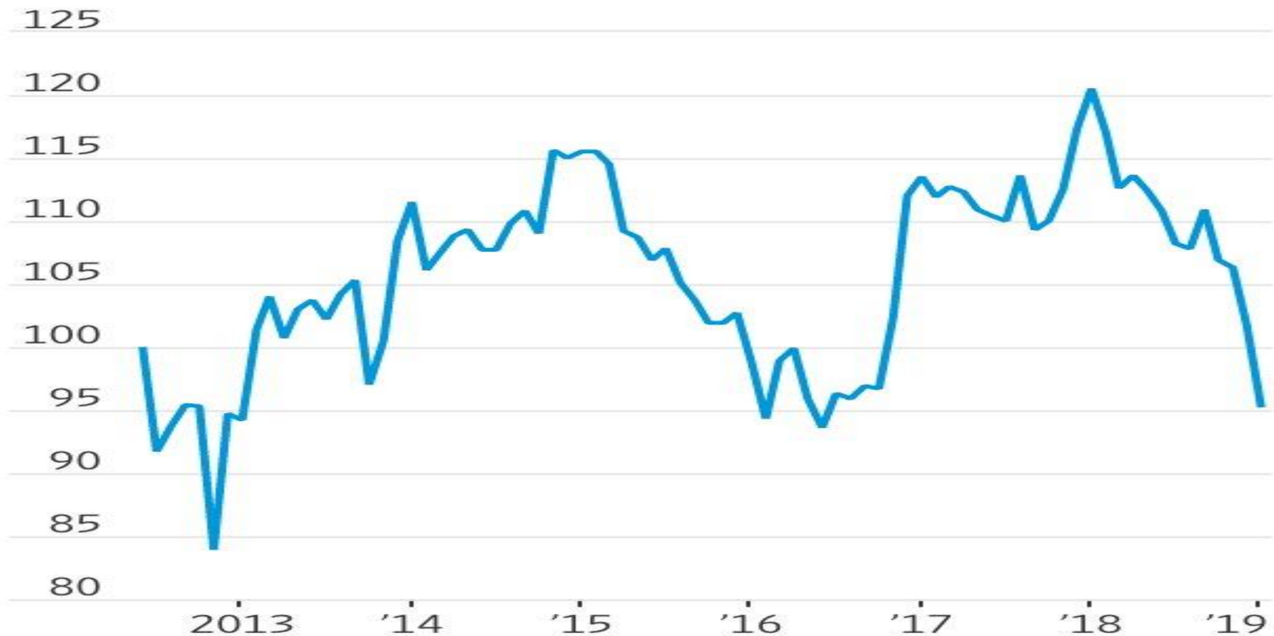
The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

Friday's labor report – where the labor market expectation component of the UMich survey fell to 86 in January from 92 in December. This is the lowest it has been since July 2016 and a full 23 points off the peak of 109 back in September.

Consumer expectations of where 'business activity' will be a year from now retreated to 92 in January, from 118 in December and the nearby peak of 123 in October. Economic 'expectations' for the next five years slid to a twelve-month low of 97 in January from 102 in December, and 109 in November. This degradation in consumer confidence isn't unique to just the consumer as we're seeing small business confidence sinking to its lowest levels since prior to the recession. The one possible constructive element to this news is that this was a page A1 story in today's Wall St. Journal – so from a contrarian standpoint,

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

it's fair to assume that this is not new news by the time it gets to the front page.

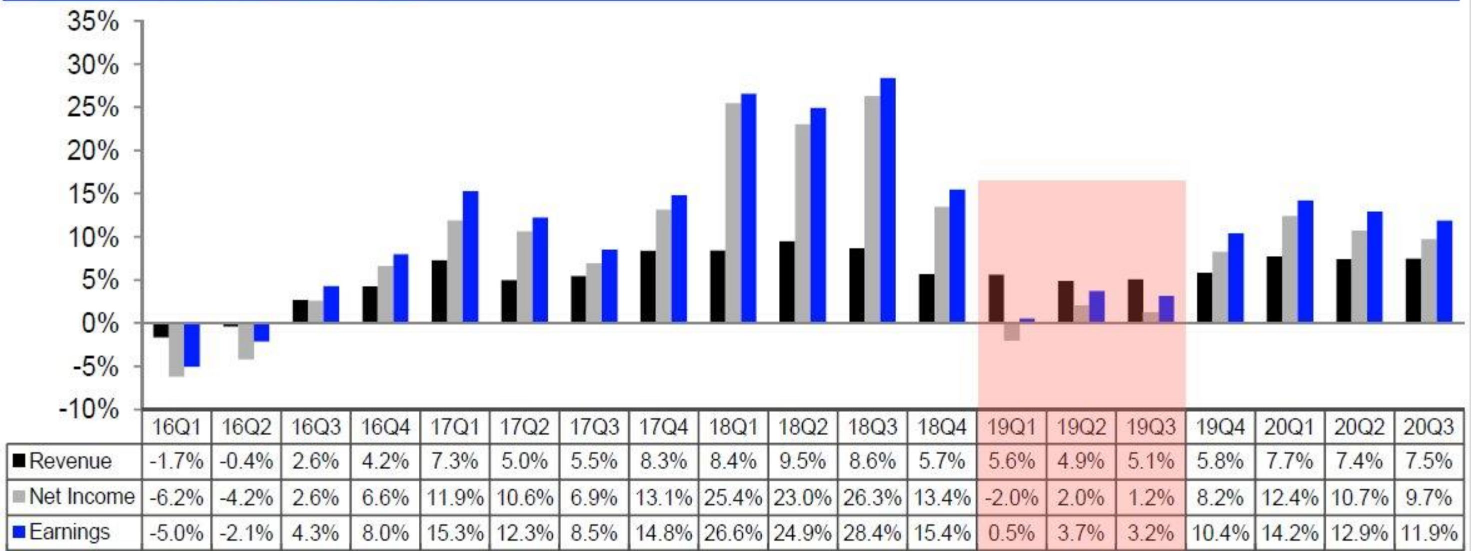


Even corporate profits are taking a leg lower. Earnings results so far are coming in at or below drastically lowered estimates coming into the quarter, but forward guidance has been underwhelming. So much so that according to I/B/E/S data analysts, estimates for Q1 are expected to come in with a negative sign in front of them (-2.0%) and these estimates have been cut by -4% since the

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

beginning of January. This represents the steepest hatchet job to corporate profits since the corporate earnings recession that occurred back in Q1 2016.

Exhibit 5. S&P 500 YoY Growth Rates



	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2
Revenue	-1.7%	-0.4%	2.6%	4.2%	7.3%	5.0%	5.5%	8.3%	8.4%	9.5%
Net Income	-6.2%	-4.2%	2.6%	6.6%	11.9%	10.6%	6.9%	13.1%	25.4%	23.0%
Earnings	-5.0%	-2.1%	4.3%	8.0%	15.3%	12.3%	8.5%	14.8%	26.6%	24.9%

	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3
Revenue	8.6%	5.7%	5.6%	4.9%	5.1%	5.8%	7.7%	7.4%	7.5%
Net Income	26.3%	13.4%	-2.0%	2.0%	1.2%	8.2%	12.4%	10.7%	9.7%
Earnings	28.4%	15.4%	0.5%	3.7%	3.2%	10.4%	14.2%	12.9%	11.9%

Source: I/B/E/S data from Refinitiv

In closing, the recent rally in the stock market looks to me to be every bit as dismissive and forgiving of negative data points in the last month as it was willing to penalize and punish similar data points in December. So yes, the Fed has pivoted, it looks as though the incentive and motivation is there for the U.S. and China to work out a trade deal, the path of

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

least resistance on the Brexit file looks likely to be a delay, and yes – the Government shutdown was rightly greeted by the investment community with a great big yawn, but much if not all of the positives from these issues is currently reflected in the capital markets. What is being ignored, and I think highly underestimated, is the growing list of data points flashing amber caution signals like the fact that the 5-year/1-year Treasury curve is still inverted. Ignoring negative data points like corporate earnings inflecting negative compared to a 26.6% earnings growth rate in Q1 2018 or global PMI's slipping into contraction territory, doesn't make them go away.

Moreover, the blinding bullishness given that the Fed is back in the game overlooks the likelihood that the only thing that gets the Fed to back off its balance sheet contraction path

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

(yes, they are still reducing their balance sheet by $50 billion / month…) is a U.S. economy that is much weaker than it is already showing and stock prices below the lows they hit in December. All the Fed did was tell you that they stand at the ready, but actions speak louder than words and given that they have the leanest war chest of policy tools that they've had in history to combat an economic downturn – my guess is that they will be surgical with the manner in which they deploy them. Which from my perspective, they'll use them when things are most dire so as to have the biggest counter-cyclical influence.

So despite the technical bounce in equities so far this year, the earnings guidance coming out of the C-suite and the continued weakening (albeit not falling off a cliff) economic data have made me more cautious, not less. Perhaps 2019 will unfold much like

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

2018 in that success this year will come from knowing when to sell the rallies and more generally just staying out of trouble. Nevertheless, I'm heeding the message of the two B's: bonds and bullion. Any equity market rally that coincides with lower (instead of higher) bond yields is a rally to be looked at with skepticism. Both asset classes can't be right at the same time at this stage of the cycle. And you have to take notice at the run we've seen in the gold market (up almost 11%) since the S&P 500 peaked in early October. Which brings me to the last chart I want to share in this week's missive, and it's regarding the gold-to-S&P 500 ratio starting a strong move upwards (gold outperforming the S&P 500) as it did at the peak of the last two cycles. Also on this chart is the yield on the 5-year and 3-year Treasury bond which each recently dipped below the level of the Fed funds rate. Any guesses on the last time such

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.

an occurrence transpired? Yup, not a trick question: 2006 (at the peak of the housing bubble – stocks didn't peak for another year) and 2000 (almost coinciding with the top in the stock market).

Corey Casilio
Partner, Portfolio Manager
101 Ygnacio Valley Road
Suite 211
Walnut Creek, CA 94596
corey.casilio@clpwm.com
925.448.2215

Casilio Leitch Investments is a private wealth management firm, focused on providing financial advisory and investment management services to individuals, families, and institutions. The firm was founded on the principles of Character, Integrity, and Trust and pledges to abide by these principles, dutifully focusing on our fiduciary responsibility to our clients throughout our financial advisory relationship.

The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. Past performance does not ensure future results. Investing inherently contains risk including loss of principle. Corey Casilio is a founding partner of Casilio Leitch Investments, a legal business entity. Advisory services offered through Casilio Leitch Investments, a CA State registered investment advisor.