April 2nd, 2019

Still waiting for the fundamentals to improve…

The S&P 500 just recorded its best quarterly performance since Q3 of 2009 with a gain of just over 13%. The fascinating part is that this followed a -13.5% slide in Q4, which still leaves the major index at the same level it was trading at in January 2018 and roughly 3% below the September highs. The chart below provides a glimpse of what the roller coaster ride has looked like over the last 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.

- We had a strong rally that started in the spring of 2017 on the expectation of tax cuts and a pro-growth fiscal policy agenda. In January 2018, the optimism and excitement of what this meant for economic growth and corporate profits reached a euphoric state where, on a fundamental basis, market breadth and

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.

valuations peaked for this bull market cycle.

- Then we had a sharp sell-off that began in February 2018 as the Fed and global central bank policies shifted towards a more restrictive stance via rate hikes and/or reducing the size of their balance sheets and thereby draining liquidity from the financial system.

- U.S. equities caught their footing in the summer as the rest of the world was experiencing a deceleration in growth and U.S. companies began repatriating overseas profits (as a result of the then-just-passed tax bill), money flooded into U.S. markets and pushed the major averages to new nominal highs.

- Then in Q4, as the Fed continued to tighten monetary policy (implementing its 9th rate

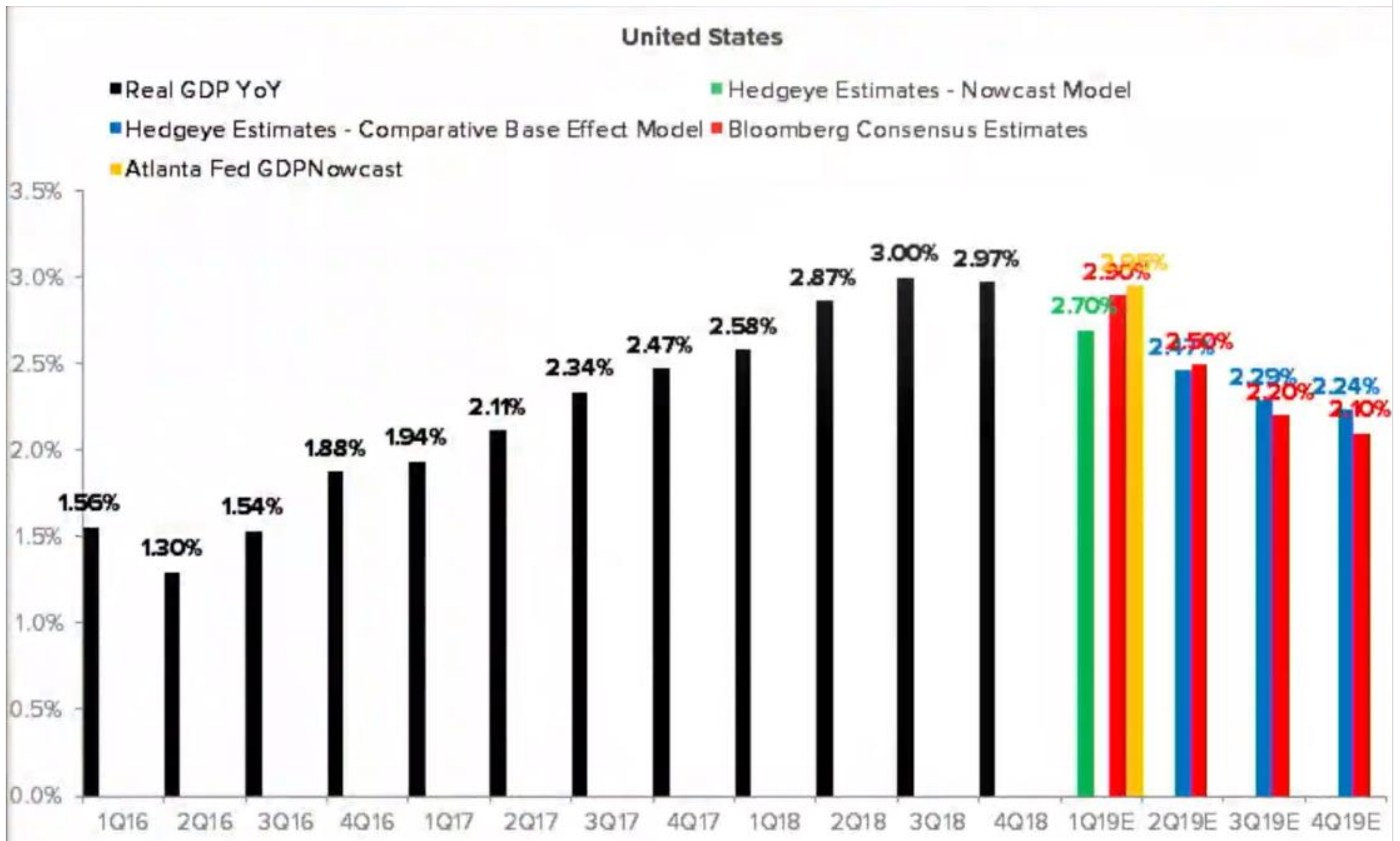
The articles and opinions in "Capital Market Musings and Commentary" are for general information only, and not intended to provide specific investment advice. Performance, dividends and other figures have been obtained from sources believed reliable but have not been audited and cannot be guaranteed. 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.

hike of the cycle in December while guiding markets to expect more in 2019, and its monthly balance sheet reduction schedule ramped up to $50 billion per month…) it proved to be too much for even the U.S. equity market to stomach and a major sell-off ensued.

It's important to contextualize what has transpired over the last 15 months in both the economy and stock market in order to have some perspective on the opportunities and challenges that lie ahead. A stock market that has oscillated violently while going nowhere for this extended period of time in-and-of-itself is an indication that there are powerful cross currents at play. The big debate within the stock market, bond market, currency markets, and economic data isn't whether or not the U.S economy peaked (on a growth rate basis) last fall – the preponderance 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.

evidence suggests that it did (see chart below from Hedgeye Research) – but whether we slide subtly into a soft landing or face plant into an economic recession.



It's this slowing in growth along with the steep slide in the stock market in Q4 that got the Fed's attention and forced them to back off any future tightening in Fed policy. Given how the Fed has been the major variable 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.

driving asset price movements this cycle, investors have reverted back to their old ways of ignoring any negative data point with the proviso that the Fed has their back. However, the release of any data point that surprises to the upside (whether on an absolute basis or relative to beaten down expectations) is fully embraced as confirmation that all is well. Take for example the recently released Chinese PMI data which barely pushed above 50 to a six-month high of 50.5. This is indicative of the manufacturing side of the Chinese economy that is treading water at best, but to be fair (and as I've pointed out numerous times before) it's the change at the margin that matters in capital markets. It was these results that set off the huge rally in the stock market on Monday, but what was completely ignored was the Japanese Tankan survey of large manufacturers falling to a 6-year low of 12 in March, and Germany's

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.

manufacturing PMI falling to a seven year low of 44.1 in March. Not to mention the Markit Final PMI for the entire Eurozone falling for the eighth consecutive month to 47.5 from 49.3 in February – the lowest reading since April 2013 when the region was emerging from a recession. Yes, China is the second largest economy in the world, but the Eurozone as a region is the second largest *economic entity* on earth, and the fact that it looks set to slip into a recession should garner more than just a passing yawn when it comes to global economic risk. Not to mention, behind the U.S. and China as the globe's 1st and 2nd largest economies you have Japan at number 3 and Germany at number 4 – so we're not talking about fringe markets in terms of global economic output when you're seeing numbers from these latter regions succumbing to the lowest levels in six and seven 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.

Oh, one last point on the uptick in the China PMI, in that one month of improvement does not a trend make as this acceleration was not corroborated by China's -14% YoY contraction in industrial profits in January-February (a steep slide from the -1.9% decline at the end of 2018). We also learned last week that Korean exports plunged -8% YoY (a fourth consecutive month in negative terrain), yet another data point that calls into question the 'everything is hunky dory' narrative now that China is reflating its economy through aggressive stimulus.

The thing is that the bears have been dead right about the fragility and weakening of the global economic backdrop, but the bulls have been prescient in disregarding this as nothing more than noise given it keeps the Fed in place to backstop asset prices. The question

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, have we / are we reaching a point where too much faith has been placed in the Fed, relative to a fundamental backdrop that continues to weaken? "What are you talking about Corey? I keep hearing how great the economy is, and look how strong the stock market has been to start out the year." Well, let's take a collective pulse on the trending growth rate of the economy over the last three months through February (keep in mind this isn't about 2018, that's ancient history for forward looking investors at this point):

- Housing Starts: -13.8% (three-month annualized rate as of end of February)
- Building Permits: -9.1%
- Industrial Production: -0.8%
- Headline Retail Sales: -4.3%
- Core Control Group: -2.9% (this feeds directly into the GDP accounting)

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.

- Real (inflation adjusted) Retail Sales: -4.9% (real retail sales – think in terms of volume, if that helps simplify this measurement – were basically at the same level in February as they were in December 2017. So, 14 months of complete stagnation when adjusting for price increases).

Look, I'm not saying a recession or another financial crisis is right around the corner, but I do think investors and markets have raced very quickly back into a complacent state in the face of a fundamental backdrop that at best is stabilizing at weaker levels. At worst, investors should be heeding the cautionary signals of the yield curve inverting, the OECD leading indicator contracting for thirteen straight months, the leading 'hard data' segments of the Conference Board's LEI stagnating for more than a year, and 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.

leading indicators of both inflation (NY Fed) and wages (Atlanta Fed) having rolled over in a notable fashion. Outside of some additional economic data to be released this week, including the March employment report on Friday, the main focus for investors will be on the upcoming earnings season which kicks off next week.

It's worth noting that this rally we've seen in the equity market this year has corresponded with material downgrading in consensus earnings expectations. Six months ago, analysts were penciling in +8.1% earnings growth for Q1 2019, which were then subsequently lowered to +5.3% three months ago, and the most recent estimates are for Q1 earnings to decline by -3.8%. Now, it could very well be that the bar has been lowered so much coming into these results that companies have no problem beating their expectations,

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.

but it's the forward outlook that everyone should be keying in on. At this point, the cat's out of the bag that Q1 is/was a tough quarter, but corporate managers have been singing an optimistic tune when talking about a recovery in the back half of the year. Should this second half recovery narrative have to be walked back, then it's likely that the optimism priced into the equity market will have to be repriced to such a reality.

There is one scenario as it relates to the economy and corporate profits that I've been doing some work on, as it may perhaps be a template for what's ahead. Now keep in mind that no two economic cycles are exactly alike – they all have their individual nuances and differences, but there are parallels and some symmetry in terms of the cyclical nature of business cycles. The one cycle that I think perhaps matches up most closely with 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.

current period is the topping out of the economic cycle in 2000 – 2001 and the popping of the Tech Bubble. From and economy perspective, the 2001 recession was very mild as there were not a lot of imbalances built up in the actual economy. From a statistical standpoint, it's hard to even see a material economic contraction in the data back in 2001. This is similar to how I view the economy today, in that it's been such a lethargic recovery that there haven't been excesses built up in inventories, capex investment, or real estate, as was the case in 2007. If we were to have a recession, I don't envision it being nearly as deep or impactful from a GDP standpoint as the GFC was in 2008-2009.

However, where I see the imbalances this cycle are in asset prices, namely financial assets. That being said, even a mild economic

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.

recession (as was the case in 2001) had a pretty severe impact on corporate profits. Have a look at the table below put together by Hedgeye, which measures the sales growth of the S&P 500 in the top panel and the EPS growth on the bottom panel from Q1 2000 through Q4 2002. During calendar year 2000 (similar to what we may be experiencing over the last year), the U.S. equity market was in a prolonged topping process where the various major equity indices peaked throughout the year. On a fundamental basis, corporate sales and earnings were very strong in calendar year 2000, with revenues growing by 15 – 18% while earnings grew by roughly 20%. But as the calendar ticked over into 2001, the economy had already started to rollover and this began to work its way through both corporate sales and earnings growth (according to the NBER, the recession started in March 2001 and lasted through November).

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 2001-02 SLOWDOWN WAS BROAD-BASED

S&P 500 Index												
SALES GROWTH (%)	1Q00	2Q00	3Q00	4Q00	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02
S&P 500	18.0%	18.2%	17.7%	14.9%	10.5%	4.9%	0.0%	-1.6%	-1.5%	4.1%	5.9%	9.0%
Energy	80.8%	75.7%	63.4%	20.9%	35.0%	19.2%	3.2%	-13.3%	-22.0%	-4.4%	9.4%	41.7%
Materials	15.8%	10.0%	11.9%	6.0%	3.0%	0.4%	-6.2%	-8.9%	-7.4%	-1.9%	2.0%	8.2%
Industrials	7.5%	10.0%	6.2%	3.4%	2.3%	1.1%	-0.2%	0.1%	0.4%	0.8%	4.2%	2.8%
Consumer Discretionary	13.8%	9.3%	8.7%	5.8%	4.6%	3.3%	1.7%	1.1%	4.4%	7.4%	9.4%	7.6%
Consumer Staples	10.8%	8.6%	8.5%	6.2%	7.8%	8.9%	10.7%	12.1%	9.8%	11.1%	5.7%	5.0%
Health Care	12.1%	15.4%	16.2%	12.3%	14.3%	11.5%	8.9%	13.9%	6.1%	7.0%	9.2%	10.1%
Financials	14.8%	10.6%	8.7%	27.5%	5.4%	4.1%	7.5%	2.2%	4.8%	8.9%	3.2%	4.8%
Information Technology	12.9%	14.0%	19.2%	9.8%	-1.0%	-11.5%	-17.4%	-13.8%	-8.0%	4.9%	10.4%	10.8%
Communication Services	31.5%	36.8%	33.7%	28.1%	3.8%	-1.8%	-2.7%	1.0%	0.3%	-0.6%	0.2%	9.5%
Utilities	31.5%	46.7%	48.6%	90.6%	47.2%	8.1%	-27.8%	-34.4%	-20.4%	-8.2%	-4.0%	-6.8%
Real Estate	31.3%	29.9%	21.4%	21.7%	10.9%	10.3%	10.4%	-2.2%	6.1%	13.9%	15.1%	19.1%
EPS GROWTH (%)	1Q00	2Q00	3Q00	4Q00	1Q01	2Q01	3Q01	4Q01	1Q02	2Q02	3Q02	4Q02
S&P 500	20.6%	17.8%	22.9%	16.4%	1.0%	-13.1%	-18.2%	-16.6%	-2.3%	9.5%	20.4%	17.9%
Energy	187.5%	171.2%	124.3%	143.5%	96.6%	37.1%	-13.3%	-62.0%	-66.4%	-48.2%	-26.4%	70.1%
Materials	54.0%	38.0%	12.6%	-12.9%	-42.0%	-32.9%	-27.9%	-36.7%	5.0%	23.6%	28.6%	56.3%
Industrials	10.4%	15.8%	5.2%	8.2%	1.1%	-3.3%	-12.3%	-13.7%	0.0%	-0.4%	7.0%	2.4%
Consumer Discretionary	8.0%	2.0%	-9.1%	-19.2%	-16.4%	-40.8%	-26.1%	16.3%	-0.8%	53.9%	56.6%	-0.8%
Consumer Staples	7.9%	8.1%	11.9%	15.4%	-0.4%	4.0%	6.1%	6.8%	25.0%	22.2%	16.1%	7.9%
Health Care	16.6%	-11.5%	20.7%	17.1%	19.2%	9.6%	5.0%	4.4%	6.9%	6.0%	15.2%	17.1%
Financials	14.0%	4.4%	14.2%	7.3%	-5.5%	-20.5%	-26.3%	-18.3%	16.8%	41.8%	37.8%	10.5%
Information Technology	19.1%	43.5%	40.1%	8.9%	-32.2%	-56.4%	-57.8%	-35.2%	-8.0%	9.8%	95.2%	43.1%
Communication Services	17.6%	29.0%	78.0%	12.0%	-25.8%	1.7%	-16.3%	19.1%	40.1%	0.3%	7.9%	41.9%
Utilities	28.3%	12.5%	11.3%	32.8%	27.4%	13.1%	8.2%	-6.2%	-14.0%	10.0%	-6.0%	15.3%
Real Estate	47.2%	20.9%	10.9%	10.9%	3.6%	0.6%	2.5%	-14.2%	-0.1%	-3.1%	-8.4%	7.6%

Data Source: Bloomberg

DATA SOURCE: BLOOMBERG

© Hedgeye Risk Management LLC. All Rights Reserved. 69

So here was a mild economic recession, which showed how a booming economy can transition to just a mild contraction (one that lasted only eight months), yet the impact on corporate profits was dramatic with profits falling from 16% in Q4 2000 to flat in 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.

following quarter and then four quarters of negative earnings. This was a period that saw the Nasdaq decline by more than -80% from peak to trough and the slide in the S&P 500 was just shy of -50%.

Contrast this with the table below, where for the first three quarters of 2018, corporate revenues grew in the high single digits and corporate earnings surged at more than a 20% clip. We've seen a mild slowing in Q4, and now estimates for Q1 have just recently been slashed into negative territory (the estimates on the table below have not yet been updated to reflect this most recent downward revision).

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 Index													BBG Estimates			
SALES GROWTH (%)	CQ1 16	CQ2 16*	CQ3 16	CQ4 16	CQ1 17	CQ2 17	CQ3 17	CQ4 17	CQ1 18	CQ2 18	CQ3 18	CQ4 18*	CQ1 19	CQ2 19	CQ3 19	CQ4 19
S&P 500 Aggregate	-1.9%	-0.3%	2.4%	4.9%	7.8%	5.3%	5.3%	8.3%	8.2%	9.5%	8.0%	6.0%	6.2%	4.7%	5.3%	4.9%
Energy	-29.3%	-24.2%	-14.2%	4.2%	34.1%	15.8%	17.9%	22.5%	12.8%	21.7%	19.6%	11.2%	1.3%	-1.0%	0.4%	-3.3%
Materials	-8.8%	-7.3%	-2.4%	2.7%	9.1%	7.2%	8.6%	13.6%	11.7%	16.3%	10.7%	2.7%	-0.5%	0.6%	2.0%	4.0%
Industrials	-2.0%	-1.3%	2.2%	2.6%	4.2%	4.8%	6.6%	8.4%	10.4%	9.5%	6.8%	6.7%	3.8%	3.9%	4.2%	4.4%
Consumer Discretionary	6.3%	8.5%	8.2%	7.8%	8.4%	3.8%	3.0%	7.7%	7.3%	9.0%	8.1%	5.6%	4.1%	4.3%	6.2%	5.5%
Consumer Staples	1.2%	0.7%	1.7%	2.7%	2.1%	2.5%	4.5%	5.1%	5.4%	5.4%	2.6%	1.8%	7.3%	2.7%	3.8%	4.1%
Health Care	9.2%	8.8%	7.0%	5.4%	5.7%	4.0%	4.5%	6.8%	7.7%	7.7%	7.2%	9.0%	13.0%	12.5%	12.7%	10.3%
Financials	-1.7%	0.7%	5.6%	5.5%	9.3%	4.5%	1.7%	3.3%	3.4%	5.9%	4.6%	3.9%	2.9%	2.7%	3.7%	5.5%
Information Technology	-6.8%	-5.9%	-2.2%	0.6%	7.7%	8.2%	6.9%	11.6%	13.2%	12.4%	10.6%	1.3%	3.1%	-0.1%	1.1%	4.3%
Communication Services	11.2%	15.0%	10.1%	4.5%	8.2%	4.6%	4.3%	7.5%	9.8%	9.8%	12.1%	13.4%	11.6%	11.7%	8.5%	5.4%
Utilities	-10.5%	-2.4%	3.5%	8.1%	7.2%	6.4%	-2.7%	3.4%	3.4%	0.4%	1.7%	2.1%	4.1%	4.8%	6.3%	0.3%
Real Estate	11.4%	7.4%	7.5%	3.7%	4.5%	7.3%	5.2%	8.2%	14.6%	13.5%	13.1%	12.8%	3.6%	3.7%	4.2%	3.2%
EPS GROWTH (%)	CQ1 16	CQ2 16*	CQ3 16	CQ4 16	CQ1 17	CQ2 17	CQ3 17	CQ4 17	CQ1 18	CQ2 18	CQ3 18	CQ4 18*	CQ1 19	CQ2 19	CQ3 19	CQ4 19
S&P 500 Aggregate	-8.0%	-3.9%	3.2%	6.4%	14.6%	10.0%	7.1%	12.5%	22.6%	24.5%	24.2%	12.3%	1.2%	1.0%	1.8%	8.0%
Energy	-109.6%	-81.6%	-63.7%	-1.5%	690.1%	210.0%	138.0%	53.9%	61.2%	98.8%	98.6%	99.9%	-16.3%	-8.4%	-16.3%	-12.1%
Materials	-16.0%	-9.1%	3.2%	-1.1%	19.6%	7.4%	10.7%	41.9%	31.9%	43.8%	28.3%	1.4%	-15.7%	-7.0%	-0.8%	7.6%
Industrials	-7.3%	-1.9%	-1.5%	-5.3%	1.5%	6.6%	0.3%	5.4%	24.9%	17.5%	17.1%	18.6%	1.5%	7.1%	9.7%	10.9%
Consumer Discretionary	17.8%	10.3%	6.5%	4.7%	7.0%	1.9%	1.8%	9.6%	14.1%	20.0%	22.7%	15.5%	-5.5%	4.0%	8.7%	12.6%
Consumer Staples	1.2%	0.0%	4.4%	4.0%	2.9%	4.1%	3.1%	7.3%	10.1%	10.8%	9.1%	3.6%	41.8%	0.2%	2.1%	4.5%
Health Care	8.1%	4.8%	5.9%	4.8%	5.4%	6.6%	7.1%	8.9%	14.2%	13.1%	14.5%	11.1%	3.2%	4.1%	4.6%	9.2%
Financials	-14.2%	-7.0%	12.8%	6.6%	17.9%	9.5%	-8.9%	1.0%	26.6%	22.7%	30.6%	2.7%	0.2%	5.1%	3.9%	16.7%
Information Technology	-7.4%	-7.3%	3.9%	4.2%	20.8%	19.2%	19.8%	20.8%	28.4%	32.1%	24.8%	5.8%	-4.9%	-7.6%	-3.7%	6.4%
Communication Services	16.1%	19.7%	14.3%	11.2%	16.7%	3.5%	16.8%	19.8%	23.3%	37.6%	27.5%	21.7%	2.7%	4.5%	1.6%	3.4%
Utilities	-1.9%	8.9%	12.6%	110.6%	3.5%	5.1%	-3.5%	18.9%	15.6%	11.7%	14.8%	-0.1%	3.7%	0.6%	3.4%	18.2%
Real Estate	8.3%	7.1%	8.7%	3.1%	6.5%	7.1%	7.6%	10.2%	8.2%	6.7%	8.8%	10.1%	2.8%	3.2%	3.4%	1.5%
Data Source: BBG	*Start of Tech/ComServ Breakout (all previous periods represent legacy Telecom)											*497/500 Reported				

It is much too premature to draw any inferences from this comparison as a precursor for what will transpire over the duration of this cycle. However, it does provide some perspective as to just how fast a profits cycle

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.

can turn and how deep those cuts can be even in a mild economic downturn.

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.