

PARALLEL PORTFOLIOS | MONTHLY VIEWPOINT

Our Current View on Investments and the Economy

BIG THOUGHT

After one of the most volatile Decembers in history our stock trend model barely remains in the neutral camp. While short to intermediate trends have been broken, it is the **longer term trends that are more vital**. In recent years pullbacks to similar levels were great buying points. Its possible that is the case again, especially when combined with recent negative sentiment and oversold indicators. However, a decline to neutral in our credit category gives us pause. While many factors caused the past nearly ten year stock run, Central Banks liquidity has been one of the most significant. Now CB's are tightening liquidity. One of the key sayings we believe in is **don't fight the Fed**. So we will watch credit's affect on stock trends closely.

In the meantime, recent stock price declines have made **valuation more appealing** and provides **opportunities to enter core holdings at attractive prices**. None of us can predict what path stocks will take over the next year. However, as we look out over a **long-term** timeframe, we believe **economies will grow, corporations will generate larger profits and eventually that will lead to higher stock prices**. It is the path along the way in which plans and steps should be taken to try and reduce some of the volatility and prevent emotional investing mistakes.

DASHBOARD



-  TREND
-  VALUATION
-  SENTIMENT
-  ECONOMY
-  CREDIT

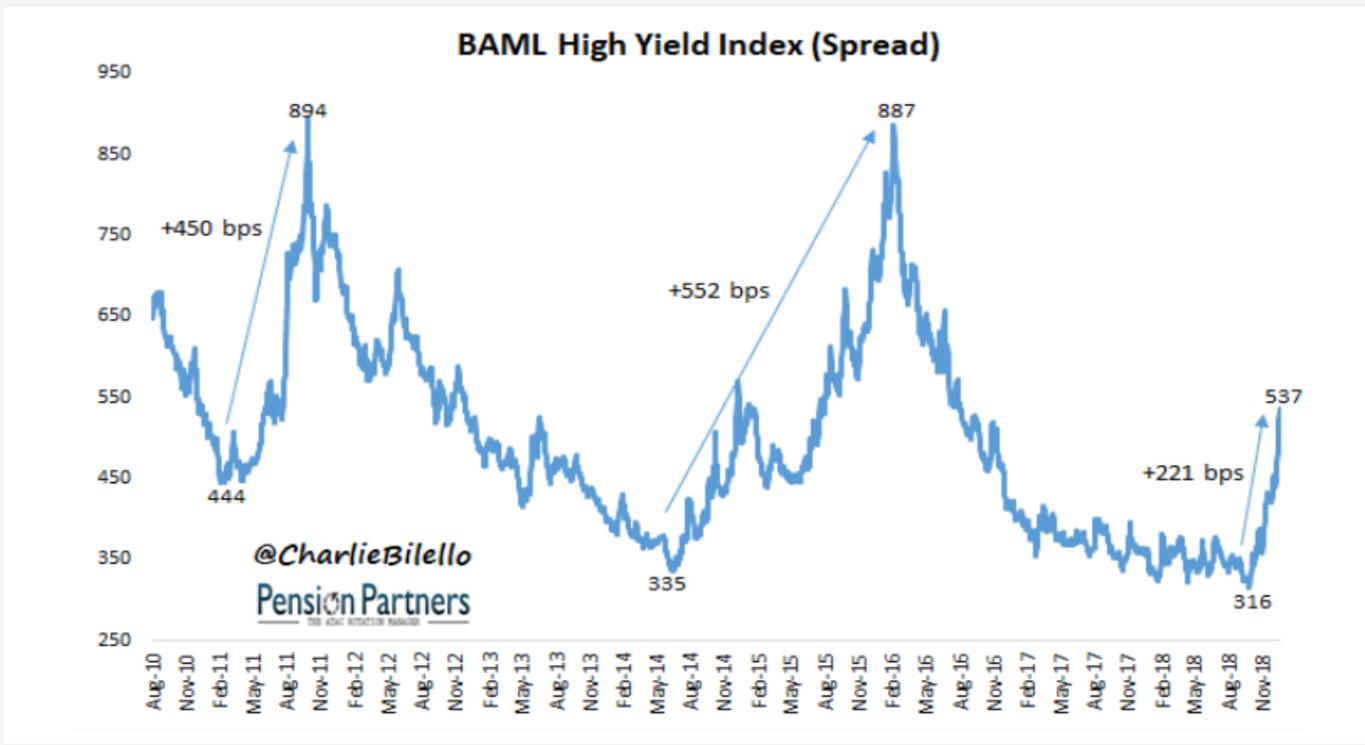
BULLISH

- » Economy healthy
 - ⇒ Extremely strong job market
 - ⇒ Job strength boosting wages
- » Corporate earnings at record highs
- » Sales growth still positive
- » Small business and consumer confidence not far off highs
- » Valuation more reasonable after market correction
- » Market internals became oversold and investor sentiment became negative

BEARISH

- » Protectionism/trade wars still a factor and could boost inflation and cause economic slowing
- » Yield Curve back near its low may signal danger
- » Corporate debt levels beginning to draw investor concern
- » Geopolitical concerns
- » Global Central Bank liquidity tightening
- » Stock market trends still neutral

CHART OF THE MONTH



Credit markets are admittedly not the most exciting of conversation topics. When is the last time you discussed them at a dinner party? That should not be confused with a lack of importance. There are **few things more important to broader financial markets than the health of credit markets**. This month we look at the difference between high yield and investment grade bond rates. During 2017 and early 2018 stock markets moved higher with no real volatility. We can see that the High Yield Index barely moved during that period. Now with stock volatility this index has surged higher. Is one causing the other? Are they trying to tell us of a lurking problem? Or will things quickly revert back to more calm levels? All key questions we will be tracking and trying to answer.

GREG TOWNER, CFA, CMT
Chief Investment Officer

Mr. Towner has worked in the investment industry since 1999 and received his MBA from the University of Central Florida and BA from the University of Mount Union. At Parallel he oversees the implementation of the firm’s overall investment philosophy and is the Senior Portfolio Manager for several strategies. Prior to his current role Mr. Towner was co-manager of large cap core and equity income portfolios totaling approximately \$1 billion at Sterling Capital Management. He holds the designations of Chartered Financial Analyst and a Chartered Market Technician.

BRIAN BOUGHNER, CFA, CMT
Principal

Mr. Boughner has worked in the investment industry since 2000 and holds a BS from Florida State University. He is a co-founder of Parallel, a Senior Portfolio Manager for several strategies and has developed the firm’s quantitative tools. Prior to Parallel he had extensive experience with U.S. Trust, BB&T Wealth, Royal Bank of Canada (RBC Centura), Amsouth Bank, and Charles Schwab Co. Mr. Boughner holds the designations of Chartered Financial Analyst and Chartered market Technician.

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