

# PARALLEL PORTFOLIOS | MONTHLY VIEWPOINT

Our Current View on Investments and the Economy

## BIG THOUGHT

Another strong month for stocks continued the rally that bottomed around Christmas. Markets seem to be anticipating a deal with China on trade. Even if a deal comes at this point it is likely mostly factored into stocks. What we will need to see going forward is how will company's grow earnings now that last years tax cut is behind them and comps get more difficult. Time to adjust to a slower earnings growth could be needed.

Meanwhile, the Fed has made it even more clear that they are unlikely to raise rates much if at all this year and may be close to ending the reduction in their balance sheet. As a result we are **changing our Credit Dashboard color back to green**. Importantly key yield curves are still not far from inverting. That must be monitored for future changes.

It seems to be increasingly important to be selective about the areas in which you invest. Many industry's are changing due to shifting consumer habits and the spread of technology from just a specific sector, to vital tools that touch nearly every aspect of business and life. **While there will be many winners, those firms not able to adapt will find themselves left behind.**

## DASHBOARD



-  TREND
-  VALUATION
-  SENTIMENT
-  ECONOMY
-  CREDIT

## BULLISH

- » Economy healthy
  - ⇒ Extremely strong job market
  - ⇒ Job strength boosting wages
- » Corporate earnings still growing
- » Interest rates low level offers limited attraction compared to stocks
- » Federal Reserve becoming more accommodative
- » Valuation still attractive
- » Recent market momentum so strong that it can signal healthy returns looking out 6-12 months
- » China taking steps to boost growth in their very important economy

## BEARISH

- » Protectionism/trade wars still a factor and could boost inflation and cause economic slowing
- » Yield Curve inversion potential
- » Corporate debt levels beginning to draw investor concern
- » Geopolitical concerns
- » Some economic data, especially manufacturing, showing slowing
- » Stock market recent strength could signal need to short-term pause

## CHART OF THE MONTH



With office's in several different cities in the southeast we have a front row seat for some of the fastest growth in the U.S. It seems we can't turn the corner without seeing a new apartment building going up. It is easy to feel things are getting over built. However, at least so far, much of the data doesn't back that fear up. Our chart this month shows **rental vacancy rates are the lowest level since the 1980's**. Builders stopped activity during the Great Financial Crisis and for several years after. Only now are they working to meet growing demand. With real estate a primary cause of the last crisis it can be too easy to think it will be the cause of the next, but it rarely works that way. The next big problem is likely to come from a different area and real estate is likely to get back to regional cycles.

**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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