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SHENKMAN

Wild, Wild Ride

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By: Mark R. Shenkman, President & Co-Chief Investment Officer

The best description of 2018 for the markets -- a treacherous year! Last month was the worst December performance for the equity markets since 1931, and few market segments were left unscathed by the sudden correction which began on October 4th. Synchronized global growth at the start of 2018 shifted by the end of the year to fears of a synchronized global slowdown, precipitating investor gloom and doom. Extreme daily volatility appeared amplified by program trading and algorithmic models. Last year was full of surprises as most strategists' and economists' forecasts were upended. Despite four fed fund rate hikes, long-term interest rates declined. Despite rapid global growth, oil prices tumbled. Despite 3% U.S. GDP growth, inflation remained subdued, even in light of a tight labor market. Despite major growth in corporate earnings, equity valuations tanked. Despite strong consumer confidence and job growth, equities plunged in the fourth quarter. Investor anxiety and uncertainty should only increase market volatility. The longevity of this 10-year economic expansion is sure to be tested in 2019.

Please Contact Marketing@ShenkmanCapital.com for full letter.