

The Follies of Forecasting

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Performance for the first half of the year has surprised but delighted most investors. Last December, the general consensus was for higher rates, rising inflation, and an impending recession which rattled the markets. However, most forecasts have been upended as the markets staged a dramatic rebound with the three major equity indices hitting record highs and the 10-year U.S. Treasury yield hovering around 2%. Meanwhile, the markets have had to contend with an inverted yield curve, an unresolved trade dispute with China, low inflation, slower earnings momentum, a robust job market, and a more dovish Fed policy. Amidst the longest period of economic growth since 1854, the greatest danger to the markets may be the unpredictability of economic and market forecasts in an era of dislocations due to technology, demographic shifts, and social change.



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