SAGE Insights: Global Market Perspective
Strength in Numbers

There is no denying the massive amount of day-to-day news flow. The seemingly endless number of positive and negative data points can often create uncertainty. Many investors we have spoken to have asked how these important economic headlines impact their portfolios. In an attempt to dive below the waves and provide a clearer view of economic conditions, the following are our thoughts on what factors are moving markets.

An all too familiar headline is the declining unemployment rate. Throughout the recovery, we have witnessed more people finding work as well as many others re-enter the labor market. This positive development has enabled the US to reaffirm its leadership role in the global economy and attract foreign investment seeking to benefit from a healthy US consumer. With more Americans working and earning a slightly better paycheck, demand for goods and services is climbing. We see this in both stronger corporate earnings and gross domestic product (GDP) growth. An expected reaction to this pick-up in growth is inflation. Personal consumption expenditures are rising to levels closer to the Federal Reserve's target. Furthermore, trade tariffs have the potential to add to inflation by increasing commodity prices, arguably justifying their decision to raise rates. Although we expect that the pace of hikes will remain gradual, the Federal Reserve's current path deviates from monetary policy employed by other major global central banks. The combination of strong corporate earnings, lower unemployment and higher interest rates has added to the allure of investing in the US, further boosting the demand for US dollars. Although a stronger dollar can have positive effects, one negative impact on the global economy is foreign investment can appear less attractive as investors assume increased currency risk when investing abroad, explaining the recent outflows from international markets.

Moving forward, we believe that strong fundamentals in the US gives way to tighter monetary policy. This continuation of rate hikes has the potential to sustain the US dollar's strength, which could create more financial stress for overseas markets. We are maintaining our overweight to stocks versus bonds due to the potential for rising interest rates. Also, the stronger US dollar reaffirms our preference for domestic stocks over international stocks and we remain overweight both Small-Cap and Mid-Cap stocks due to the positive tailwind to earnings from the recent tax reform and their lower exposure to geo-political risks.

As always, please contact your SAGE Wealth Advisor and visit www.SAGEprivatewealth.com for more information regarding these views and how they impact your investment program.

Thank you, SAGE Investment Committee