LEGACY WEALTH ADVISORS

Executive Summary

Legacy Update — March 2019

As expected, markets rallied strongly in January and February, from a deeply over-sold position, posting the third strongest rally since 2000. Despite continued strength in job growth, the economy continues to moderate, down-shifting gears as we wrote in our latest newsletter. Also, as we forecast last year, the Fed has now publicly softened it's position on future rate hikes, and Fed watchers now expect no additional rate hikes within the next 24 months. The Mueller report is about to be released, and we expect it to fully exonerate President Trump from any charges of "Russian Collusion" or "Obstruction of Justice" with respect to the firing of James Comey. Indeed, Nancy Pelosi recently backed away from expectations that the House would seek to initiate impeachment proceeding against Trump.

Financial Times

The Economy

China is experiencing the "echo" bust of the late 2018 pull-forward of orders ahead of the first round of tariff implementations, as manufacturers, re-sellers and retailers continue to work off that extra inventory. As trade negotiations continue we expect the pressure on China will increase to the point where they must come to the table soon and negotiate in good faith.

U.S employment remains strong, unemployment among specific subgroups sets record lows, and layoffs remain subdued; yet corporate earnings have begun to slow, and investors are ratcheting down their expectation for a re-acceleration in the first half of the year. We expect the acknowledgement that earnings are slowing will be one of several stock market catalysts to drive the technical re-test of the December lows we expect has already begun.

The Fed

While we have seen the strongest wage growth in some time, housing and auto pricing have shown significant weakness, while energy prices moderate, leaving overall inflation subdued for this point in the economic cycle. It would likely require a significant threat of a pickup in inflation at this point for the Fed to continue to tighten.

As we expected, the ongoing global slowdown in economic activity (see China chart above) is only partially attributable to the threat of tariffs, and has allowed the Fed to soften its tone and adopt a more measured, data-centric approach to rates. We expect the Fed will continue to 'pause' for the remainder of the year, and in fact, potentially reduce rates later this year if the expected economic rebound does not materialize.

Politics

President Trump declared a National Emergency related to illegal immigration at the Mexican border. "Congress has delegated at least 136 distinct statutory emergency powers to the President upon the declaration of an emergency. Only 13 require a declaration from Congress; the remaining 123 are invoked by an executive declaration with no Congressional input."

It is the National Emergencies Act passed by Congress in 1976 that codifies the President's ability to unilaterally declare such emergencies, and limits Congress response solely to revoking it by a joint resolution., and would require a two-thirds majority to override an expected veto. Ironically, by choosing to hold votes to end the NE in both the House and Senate, Congress has strengthened Trump's case that his actions are legal.

The Markets

Markets have rallied significantly off the December lows, in many case reaching short-term overbought conditions. Some have visibly begun to roll over as a loss of momentum drags on the index, and potential buyers begin to get cold feet. This is all typical behavior for such a "V" bottom in price action after a sell-off., and we expect a sideways consolidation at best, and a potential re-test of the prior lows at worst in the coming months.

Keep in mind that most major indices remain below the highs set in January and February of 2018, while the global economy continues to cool, earnings estimates are trimmed, and investors await any positive signs of progress on the China trade negotiations. The catalyst needed is a perception that improvements are coming.

All data and information reference herein are from sources believed to be reliable. Any opinions, news, research, analyses, prices, or other information contained in this research is provided as general market commentary, it does not constitute investment advice. Legacy Wealth Advisors and HighTower shall not in any way be liable for claims, and make no expressed or implied representations or warranties as to the accuracy or completeness of the data and other information, or for statements or errors contained in or omissions from the obtained data and information referenced herein. The data and information are provided as of the date referenced. Such data and information are subject to change without notice.

This document was created for informational purposes only; the opinions expressed are solely those of Legacy Wealth Advisors and do not represent those of HighTower Advisors, LLC, or any of its affiliates.

Securities offered throughHighTower Securities, LLC member FINRA/SIPC. HighTower Advisors, LLC is a SEC registered investment advisor.