MCF
CAPITAL MANAGEMENT

Driven to Perform.

Market Commentary

November 26, 2018 | Marco Fragnito | Managing Principal

Since early October financial markets or more specifically equity markets have experienced elevated levels of volatility and are now in clear market correction territory—by definition, a 10% drop below recent market highs. Whether it be the results of the mid-term elections, continuing trade conflicts or the Federal Reserve continuing to raise interest rates, the view of market participants for the future appears less bullish and has led to selling in equity markets.

We believe that the path the Federal Reserve has articulated for the level of interest rates is the most concerning for longer term investors. With the Fed stating their goal to move short term rates beyond the neutral rate, which we believe to be somewhere between 2 to 2.5%, we will not debate that here, investors are shifting their asset allocation weightings to reflect that possibility.

We at MCF have done the same and raised cash levels in portfolios to the highest levels in the last 30 months. We feel that given the Federal Reserve's path for interest rates and market uncertainty warrants us adopting a more defensive posture in portfolios over the next couple of quarters. Rising interest rates pose a major risk to economic growth which in turn will impact corporations results over the near term. Market perceptions could change quickly should the Fed articulate a different path, but our market data analysis tells us that our asset allocation must be adjusted to reflect new market expectations.

We are actively adjusting our asset allocation in relevant areas: cash, fixed income and equities. At this time, we believe we have a comfortable position in cash, but may need to increase our fixed income exposure at the expense of lower equity exposure. This will be done systematically and with consideration to market conditions. We remain bullish longer term given positive developments in the area of taxation, regulation and the continued growth in the economy, but history has shown that similar periods have warranted caution in the short term.

If you have any questions please contact us directly at 949.472.4579, and feel free to forward this report and our contact information to anyone who might be interested.

CONTACT INFORMATION
MCF Capital Management, LLC | 23010 Lake Forest Dr. Ste E | Laguna Hills, CA 92653 | Tel: 949 672 0024 | Fax: 949 472 8195 | www.mcfcapitalmanagement.com