



2019 Second Quarter Review and Outlook

The current US economic expansion is now 120 months old, vying with the 1991-2001 period as the longest in post-war history. Stock markets recovered from their May sell off and inched higher by the end of June. In the first half of the year, all major equity benchmarks returned at least +10%. With bond prices also rising, fixed income markets had their strongest returns since early in the decade. Unlike 2018, when only cash had a positive return, so far this year, every asset class is up.

Confusingly, these across-the-board gains reflect diametrically opposed expectations of where current conditions will lead. Stock market advances have been fueled by slow but steady growth in corporate earnings and lower interest rates, which have boosted confidence about real estate, auto sales and other economic indicators. Hopes for a resolution of the trade war with China, and for further drops in borrowing costs, are sources of optimism for stockholders.

Bond investors see things differently. US economic growth is expected to slow as tax-cut stimulus fades. Trade threats and tariffs are beginning to impact consumers and businesses globally, and could undermine confidence and spending. Manufacturing has already contracted in five of the seven largest economies, with the US and France being the exceptions. Commodity prices, especially industrial metals, have declined, reflecting softer demand. With rising pessimism about growth prospects and the risks of recession, the yield curve has inverted--with long term bond yields falling below short-term yields.

The striking contrast between these views has lingered almost unnoticed.

Outlook

Responding to worries about a slowdown in global economic activity, central banks are signaling monetary easing in the months to come. Gold has jumped to a six year high on expectations of several Fed rate cuts later this year and an accordingly weaker dollar. Structural issues are also playing into the mix: unemployment fell to a near-50-year low of 3.6% in May, but job gains have slowed in 2019 as the natural constraints of a tight labor market have begun to limit hiring. Interest rates overall have dropped significantly from where they were a year ago.

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It's been remarked that economic expansions don't typically die of old age however, as time goes by, they are more likely to stumble. It's impossible to know where the next recession and bear market will originate or where they'll spread. In the near term, much depends on the outcome of trade talks with China. A successful resolution could help extend this period of economic growth for several more years. If tensions continue or worsen, however, global economic growth is likely to stall and investor's hopes will hinge on the medicine of aggressive monetary policy from central banks.

LongView News

We are excited to announce that LongView has been accredited as a Certified B Corporation—a new type of company dedicated to harnessing the power of business to solve social and environmental problems. Unlike traditional corporations, Certified B Corps are legally required to consider the impact of their decisions not only on their shareholders, but also on their workers, customers, suppliers, community, and the environment.

The performance standards that B Corps meet are comprehensive, transparent and verified. Our certification involved answering and documenting 251 questions in a 48-page report covering our company's performance in the areas of socially responsible investments, client relations, governance, community engagement, environmental impact of our business, employment policies, and collaboration with other members of the investment industry on sustainability issues. We began the process in the spring of 2018 and received our certification on May 10, 2019. Altogether it was an exhaustive (and exhausting) process, but we are proud to have made it through with a score of 92.5.

In becoming a B Corp, we join a community of over 2,500 companies in 60 countries that have been recognized for meeting the highest standards of social and environmental performance, transparency, and accountability. Household B Corp names include Patagonia, Ben and Jerry's, New Belgium, Seventh Generation, Warby Parker, and Etsy. New Mexico's seven Certified B Corporations include Meow Wolf, Taos Ski Valley, and Positive Energy Solar. LongView is the first financial services firm in the state to meet the stringent requirements of certification. We have long been proponents of ESG (Environmental, Social, Governance) standards in our investments. Our certification as a B Corporation speaks to our commitment to maintaining similarly high standards in our own conduct as a business.

We wish you a peaceful and happy summer.



David Cantor



Harlan Flint