

Monthly Commentary May 2019

May 12, 2019

Taking a Little Breather

Following a virtually uninterrupted rise in stocks since the beginning of the year, the markets have recently slid nearly 4% from the record highs that were set only a week and a half ago. Although the escalating trade war is being blamed for the recent decline, no one should be at all surprised or concerned that the market is giving back a little of this year's gains. Investors should actually be more concerned if the markets continued to march forward without taking a break.

Despite all of the volatility, the market is essentially back to where was in late September. If you had been on an extended vacation on a remote island for the past 7-8 months without internet access and just got back, you would think the markets had been pretty quiet and nothing had happened.

Most of the daily financial news is little more than just noise. CNBC is in business to capture the attention of viewers rather than help people invest well. The factors that investors should be concerned about are company earnings and rising interest rates. The reality is that first quarter earnings were a little better than originally anticipated, and interest rates remain relatively low. As a result, stocks appear to remain reasonably valued.

Uber's IPO Debut Hits The Skids

This past Friday, Uber, the most widely anticipated initial public offering in years failed to live up to its hype. Shares of Uber Technologies ended its first day of trading on Friday at \$41.60 down \$3.40 from its offering price of \$45. The Uber

IPO follows a disastrous public start for its smaller rival, Lyft, whose shares have fallen 29% since it IPO a month and a half ago.

Uber is currently generating \$1 billion in *quarterly* losses with profitability nowhere in sight. No company has ever gone public with losses this large. The Uber IPO shows that investors still do care about profitability.

Best regards,

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