

# After The Close

## The stock sell-off intensifies, President Trump criticizes the Fed

Anthony M. Saglimbene, *Global Market Strategist*  
October 11, 2018

### Stocks took a roller coaster ride on Thursday

Before U.S. markets even began trading, pre-market indicators suggested investors were in for a wild ride and would need to stomach strong market cross-currents. As equity markets gyrated, the 10-year U.S. Treasury yield fell to 3.14%, now nine basis points below the seven-year closing high hit just last week. As a result, safe-haven buying across U.S. Treasuries contributed to flattening the yield curve, while oil prices and Energy stocks dragged U.S. markets lower.

#### Major Domestic Equity Indices - Today

Benchmark	Index Level	Net Change	% Change
S&P 500 Index	2,728	-57.3	-2.1%
Dow Jones Industrial Average	25,053	-545.9	-2.1%
Russell 2000 Index	1,545	-30.0	-1.9%
NASDAQ Composite	7,329	-93.0	-1.3%

All data via FactSet as of approximately 4 PM ET

There were few corners of the market investors could hideout in today. All eleven S&P 500 sectors traded lower, with most sectors down by 2.0% or more on the day. Value stocks, which had mitigated some of the market pain earlier in the week, sold-off more aggressively than Growth stocks on Thursday. Larger price declines across Energy and Financials contributed to the underperformance in the Value category.

Interestingly, investors stepped in late in the day and cautiously started buying Information Technology and Communication Services stocks, though each sector finished lower. In our view, this may indicate investors are beginning to look for opportunities in companies that have been punished recently. Though it may be too soon to call a bottom in this sell-off, the market action late in the day could be a sign some capitulation in the selling pressure is forming.

Gold was one of the few safe-haven assets. The precious metal moved higher by roughly 3.0%, as most major asset classes across the U.S., Europe, and Asia traded well into the red. Volatility continued to edge higher after yesterday's spike, as the S&P 500 Index fell below longer-term technical support levels. However, current equity volatility remains well below February levels. For selling pressure to intensify and bring volatility back to February highs, we would have to see a significant deterioration in growth/earnings expectations, in our view.

From our vantage point, the recent decline in equities could be a profit-taking squeeze after a nice run since the February lows. All told, the 30-stock Dow Jones Industrial Average has lost more than 1,300 points in two days and is down 5.2% on the week.

### The President Jawbones the Fed

If investors were not already worried about the smoke coming from interest rates, Federal Reserve policy, and inflation pressures, President Trump stoked the fire by further criticizing the Fed on Wednesday and Thursday. Trump said he thinks the Fed is making a mistake raising interest rates and argued that the central bank has "gone crazy" with its rate hike cycle. However, central bankers from around the world have been quick to support the independence of the Fed as well as counter what may be a prolonged period of the U.S. President jawboning Fed Chair Jerome Powell. It is certainly not a secret that Trump prefers low interest rates and a weaker U.S. dollar. Although many investors would also prefer such an environment, Trump's position of power and his vocal jabs at the Fed are a sharp contrast from prior administrations. Although President Trump continued to blame the Fed for this week's market plunge, he also said he supports the central bank's independence.

### Committee View

As markets faced another difficult day, it is important to note the speed at which stock prices move in today's market environment. Systematic selling pressure from high-speed, algorithmic, or high-frequency trading strategies creates an abundance of noise during market sell-offs—just like today. In our view, the rapid pace at which equity prices move during these short periods of time sends poor signals for longer-term fundamental investors.

Most investors are at a disadvantage when it comes to trading in such volatile environments. In our view, the best course of action is for investors to stand still and let the smoke clear. At some point, the market could become attractive to these quantitative-based strategies, prompting systematic buying across the market. For now, the fundamental picture hasn't changed. We believe investors should wait for more information to determine if the last week of market activity is just a healthy pullback or a catalyst that requires more meaningful portfolio adjustments.

**NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS OF INTEREST, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT.**

- For further information on any of the topics mentioned, please contact your financial advisor.
- Unless specifically stated otherwise, comments contained in this document should not be construed as an investment opinion or recommendation of any securities mentioned. Charts depicted are from FactSet unless otherwise noted.

---

## GLOBAL ASSET ALLOCATION COMMITTEE

**David M. Joy**

*VP – Chief Market Strategist*

**Brian M. Erickson, CFA**

*VP – Fixed Income Strategy*

**Anthony M. Saglimbene**

*VP – Global Market Strategist*

**Jay C. Untiedt, CFA, CAIA**

*Director – Senior Research Analyst*

**Russell T. Price, CFA**

*VP – Senior Economist*

**Frederick M. Schultz**

*Senior Research Analyst*

**Christine A. Pederson, CAIA, CIMA**

*Director – Senior Research Analyst*

**Lori A. Wilking-Przekop**

*Senior Director -Equity Research*

**Patrick S. Diedrickson, CFA**

*Senior Research Analyst*

**Thomas Crandall, CFA, CAIA**

*Senior Quantitative Analyst*

**Justin H. Burgin**

*VP – Equity Research*

**Jon Kyle Cartwright**

*Senior Director – Fixed Income Research*

**Ameriprise Financial**

1441 West Long Lake Road, Suite 250, Troy, MI 48098

Investment.research.group@ampf.com

For additional information, or to locate your nearest branch office, visit [ameriprise.com](http://ameriprise.com)

---

The content in this report is authored by American Enterprise Investment Services Inc. ("AEIS") and distributed by Ameriprise Financial Services, Inc. ("AFSI") to financial advisors and clients of AFSI. AEIS and AFSI are affiliates and subsidiaries of Ameriprise Financial, Inc. Both AEIS and AFSI are member firms registered with FINRA and are subject to the objectivity safeguards and disclosure requirements relating to research analysts and the publication and distribution of research reports. The "Important Disclosures" below relate to the AEIS research analyst(s) that prepared this publication. The "Disclosures of Possible Conflicts of Interest" section, where applicable, relates to the conflicts of interest of each of AEIS and AFSI, their affiliates and their research analysts, as applicable, with respect to the subject companies mentioned in the report.

Each of AEIS and AFSI have implemented policies and procedures reasonably designed to ensure that its employees involved in the preparation, content and distribution of research reports, including dually registered employees, do not influence the objectivity or timing of the publication of research report content. All research policies, coverage decisions, compensation, hiring and other personnel decisions with respect to research analysts are made by AEIS, which is operationally independent of AFSI.

## IMPORTANT DISCLOSURES

### **As of September 30, 2018**

The views expressed regarding the company(ies) and sector(s) featured in this publication reflect the personal views of the research analyst(s) authoring the publication. Further, no part of research analyst compensation is directly or indirectly related to the specific recommendations or views contained in this publication.

A part of a research analyst's compensation may be based upon overall firm revenue and profitability, of which investment banking, sales and trading, and principal trading are components. No part of a research analyst's compensation is based on a specific investment banking transaction, nor is it based on sales, trading, or principal trading. A research analyst may have visited the material operations of one or more of the subject companies mentioned in this research report. No payment was received for the related travel costs.

Additional information and current research disclosures on individual companies mentioned in this research report are available on our website at [ameriprise.com/legal/disclosures](http://ameriprise.com/legal/disclosures) in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor. You may also submit a written request to Ameriprise Financial, Inc., 1441 West Long Lake Road, Troy MI, 48098. Independent third-party research on individual companies is available to clients at [ameriprise.com/research-market-insights/](http://ameriprise.com/research-market-insights/). SEC filings may be viewed at [sec.gov](http://sec.gov).

Tactical asset class recommendations mentioned in this report reflect The Ameriprise Global Asset Allocation Committee's general view of the financial markets, as of the date of the report, based on then current conditions. Our tactical recommendations may differ materially from what is presented in a customized long-term financial plan or portfolio strategy. You should view our recommendations in conjunction with a broader long-term portfolio strategy. Not all products, services, or asset classes mentioned in this report may be available for sale at Ameriprise Financial Services, Inc. Please consult with your financial advisor.

## INDEX DEFINITIONS

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at [ameriprise.com/legal/disclosures/](http://ameriprise.com/legal/disclosures/) in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor.

## DISCLAIMER SECTION

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

This summary is based upon financial information and statistical data obtained from sources deemed reliable, but in no way is warranted by Ameriprise Financial, Inc. as to accuracy or completeness. This is not a solicitation by Ameriprise Financial Services, Inc. of any order to buy or sell securities. This summary is based exclusively on an analysis of general current market conditions, rather than the suitability of a specific proposed securities transaction. We will not advise you as to any change in figures or our views.

**Past performance is not a guarantee of future results.**

**Investment products are not federally or FDIC-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.**

AFSI and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

Ameriprise Financial Services, Inc. Member FINRA and SIPC.