



Q&A With Chief Market Strategist Phil Melville

Gain key insights to help address client questions and drive strategic portfolio construction conversations.

01

What clients want to know:

Is the market volatility in Q2 indicative of how markets will perform in the second half of 2019?

What we know:

After a strong first quarter, we saw considerable volatility with the S&P 500® Index returning 3.9% in April, falling 6.6% in May, and rebounding almost 5.0% in June. This is partly driven by a trade conflict with China and near imposition of tariffs on Mexico.

Phil's outlook:

We think markets are heading into a challenging summer and fall, marked by higher volatility and perhaps negative asset return. We believe equities will return somewhere between 8% and 10%, tempered by a drop in consumer confidence and weakening economic indicators.

02

What clients want to know:

What impact could trade conflicts have for the rest of the year?

What we know:

The possibility of additional steeper tariffs being imposed on Chinese imports would likely drive prices up for consumers. This could dampen consumer and business confidence and slow U.S. GDP growth. The interest rate markets are pricing in fears of a recession and we're still seeing an inverted yield curve, which has proven to be a reliable predictor of a recession.

Phil's outlook:

We think the Federal Reserve would be hard-pressed to cut interest rates with near full employment and markets at all-time highs. Nonetheless, macro issues could drive the Federal Reserve into emergency mode and pass one or two rate cuts.

03

What clients want to know:

The economy is in a good place; why do I keep hearing about signs of a possible recession?

What we know:

When we look at a broad swath of economic indicators, we see a trend of readings that are generally weakening and indicating lower growth. However, as a whole, these indicators are not pointing conclusively to a recession.

Phil's outlook:

Our central thesis is that the U.S. economy is at a key inflection point, where it could topple into a shallow recession or rebound to a sluggish growth trajectory. Our proprietary recession index still points to the economy being in a cautionary zone.



About Phil Melville
VP, Chief Market Strategist
Brighthouse Financial

Phil Melville is a Managing Director and the Chief Market Strategist/Head of Credit for the Investment division of Brighthouse Financial. He is responsible for developing and communicating the firm's global macroeconomic and market outlook as well as managing the \$40 billion credit portfolio.

Find out more from Brighthouse Financial and our partners on the **Investment Perspectives** page on briighthousefinancialpro.com.

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