

[Martone Capital Management: Weekly Investment Commentary \(9/6/2017\)](#)

The devastation caused by Hurricane Harvey dominated the news last week. From an economic perspective, damage to the region's energy infrastructure is likely to cause local disruptions and contribute to a temporary increase in gasoline prices. But we expect the broader economic and market effect to be limited.

The summer has been quiet for financial markets, but we are starting to see rising tensions and mounting uncertainty. The global political environment in particular has become more troublesome as the situation in North Korea and the U.S. political environment both appear to be deteriorating.

At the same time, the Federal Reserve and European Central Bank have important meetings later this month. The Fed is widely expected to announce the start of balance sheet normalization while the ECB provides more clarity around tapering.

Against this backdrop of rising uncertainty, the value of the U.S. dollar has been falling sharply, oil prices have been churning, industrial metals prices have been rising and emerging markets equities have been outperforming. Together, these themes suggest that investors are growing less confident about the direction of the U.S. economy. Should confidence continue to deteriorate, it could begin to act as a headwind for U.S. equities.

We recognize the risks, but continue to believe that a pro-growth, risk-on investment stance is warranted, meaning we believe equities and other risk assets should continue to outperform. We expect the global economic expansion will continue, government bond yields will rise slowly, commodity prices will remain contained and corporate earnings will continue to rise.

Volatility will likely increase over the coming months, but the overall backdrop looks to us like a recipe for equities continuing to outperform bonds and cash.

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