

The Confidence Shock

eResearch Corporation is pleased to provide an article from *The Reformed Broker*, featuring Josh Brown.

The Reformed Broker is a blog about financial markets and the economy.

From Josh Brown's website: My blog is about markets, politics, economics, media, culture and finance. I'll use statistics, satire, anecdotes, pop culture references, sarcasm, fact, fantasy, and any other device that I feel necessary to get my points across.

What I don't do on this site is give financial advice or tell anyone what to invest in. The Reformed Broker is a forecast-free blog. What I will do on this site is provide you with a running commentary of my market-related insights and thoughts as events unfold. I'll point you toward other interesting content around the web. I'll challenge your perceptions, call it like I see it and, occasionally, I'll make you laugh.

A link to the blog's website is provided here: <http://www.thereformedbroker.com/>.

Joshua Brown is with Ritholtz Wealth Management, a New York City-based investment advisor, whose clients are high net worth individuals, charitable foundations, retirement plans, and corporations. He helps people invest and manages portfolios for them. He is the author of the book *Backstage Wall Street*, from publisher McGraw-Hill. He is a regular contributor to: CNBC, Investment News, The Daily Beast, TheStreet.com, Forbes, CNNMoney, Fortune, Christian Science Monitor, The Faster Times, Marketplace Radio, The Wall Street Journal, and The Business Insider.

eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eResearch.ca.

Bob Weir, CFA: Contributing Analyst

<p>Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.</p>



The Confidence Shock

By Josh Brown
February 4, 2019

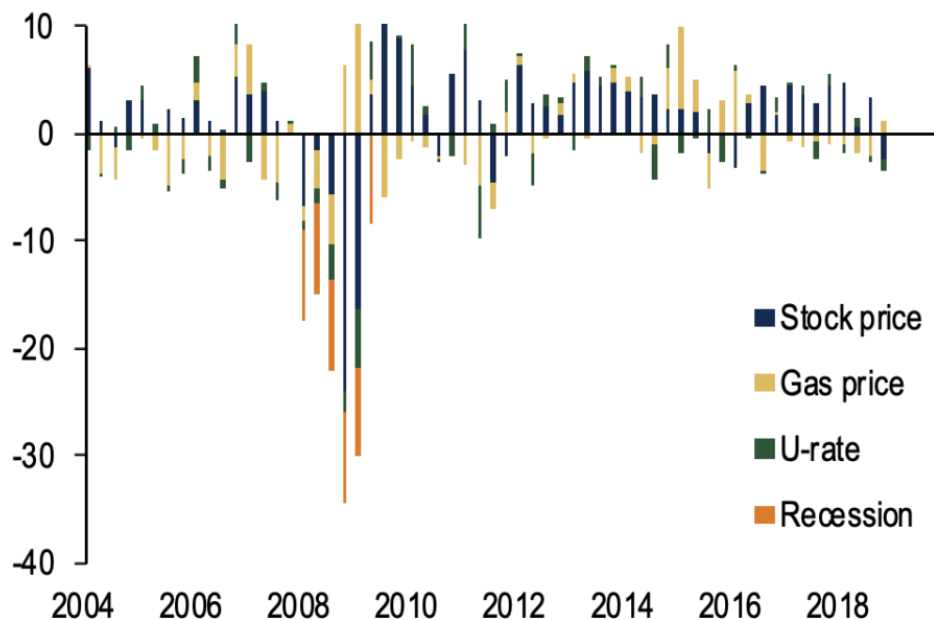
My Chart o' the Day comes from Bank of America Merrill Lynch's U.S. economics team, and their latest take on the strength of the U.S. consumer.

There was a "negative shock" in the confidence readings for the month of January that was the largest we have seen back to 2011. However, BofA finds that it was mostly driven by the stock market's abrupt sell-off in December, thus it ought to be mitigated by the huge comeback we have staged since the beginning of the year.

Here is BofA's look at the breakdown of where confidence comes from...

The rebound in the stock market is also likely to underpin confidence relative to the turn of the year. We test a variety of factors against our variable for the confidence shock and found that the S&P 500 is the biggest driver. This is followed by comparable contributions from the change in the unemployment rate and gasoline prices. The labor market has remained robust with a gangbusters jobs report in January while gasoline prices have remained supportive. If confidence does indeed pick up, it will mitigate the drag to 1Q.

Chart 4: Decomposition of U Michigan confidence shock



Source: BofA Merrill Lynch Global Research, University of Michigan, BLS, Department of Energy, Bloomberg, NBER



Josh here – Michelle Meyer et al note that Animal Spirits are alive and well and that this ought to be enough to power us through 2019 without the confidence plunge we experienced turning into something more systemic.

We maintain our view that the consumer will be an engine of growth this year, accounting for 70% of total growth this year, up from about 60% in 2018. The hope for the USA and the global economy rests on the shoulder of the U.S. consumer – those shoulders seem pretty broad.

Source

:

It's a consumer's world

Bank of America Merrill Lynch – February 1st, 2019

Full Disclosure: Nothing on this site should ever be considered to be advice, research or an invitation to buy or sell any securities, please see my [Terms & Conditions page](#) for a full disclaimer.

See ABOUT THE AUTHOR on the following page.



ABOUT THE AUTHOR



Josh Brown is a New York City-based financial advisor and the CEO of [Ritholtz Wealth Management](#).

We help people align their investments with their financial goals and manage portfolios for them. Our clients range from high net worth households to corporations to retirement plans to charitable foundations. For younger investors and those just getting started, we've created the [Liftoff automated advisor](#) – a simple, low-cost way to access a professionally managed portfolio selected just for you.

He is also the author of the books [Backstage Wall Street](#) and [Clash of the Financial Pundits](#) from publisher McGraw-Hill. In addition, he serves on the advisory board of financial technology firms [Riskalyze](#), Vestwell, Digital Assets Data Corp as well as [CNBC's Financial Advisor Council](#).

In 2015, he was named to the [Investment News "40 Under 40"](#) list of top financial advisors.

ABOUT THE REFORMED BROKER

The Reformed Broker began in November of 2008 and has become one of the most widely-read sites on the financial web.

This blog is about markets, politics, economics, media, culture and finance.

I'll use statistics, satire, anecdotes, pop culture references, sarcasm, fact, fantasy, and any other device that I feel necessary to get my points across.

What I don't do on this site is give financial advice or tell anyone what to invest in. The Reformed Broker is a forecast-free blog.

What I will do on this site is provide you with a running commentary of my market-related insights and thoughts as events unfold. I'll point you toward other interesting content around the web. I'll challenge your perceptions, call it like I see it and occasionally, I'll make you laugh.

In the Media

I have been featured in or have written for Fortune, Forbes, the Wall Street Journal, MarketWatch, Dow Jones Newswires, Bloomberg, Reuters, CNNMoney, Bloomberg, CNBC, the New York Post, Crain's New York Business, Investment News, Registered Rep, Financial Planning, Fortune, RIA Biz, Business Insider, American Public Media, NPR, TheStreet.com, the Washington Post, BuzzFeed, Barron's and the New York Times.

I am an on-air contributor to CNBC. My show, [The Halftime Report](#), airs weekdays at 12 PM ET. Our YouTube Channel, [The Compound](#), is blowing up. Check us out!

Follow our latest updates with the [Market Moment skill](#) on Amazon's Alexa!

I am available to comment on most topics for print, web, television and radio. [Get in touch](#).

Do you want me to speak or moderate at your next event? [More info here](#).

Follow me on [Facebook](#)!