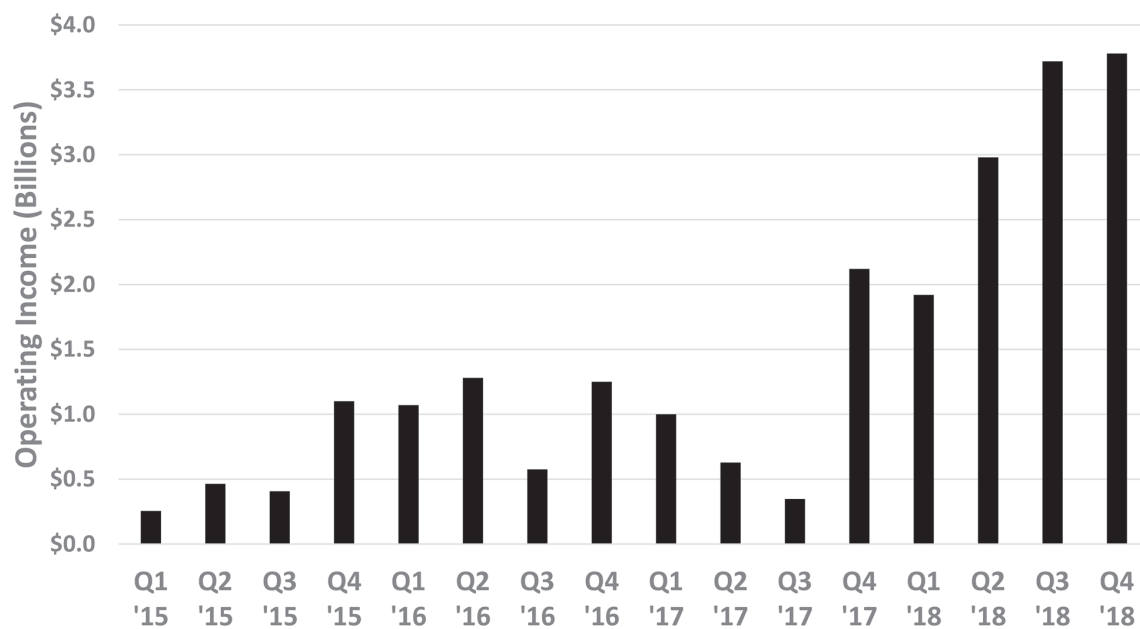


February 27, 2019

# Amazon: At Long Last

Amazon is finally making some money.

## Amazon's Profits Are Rising

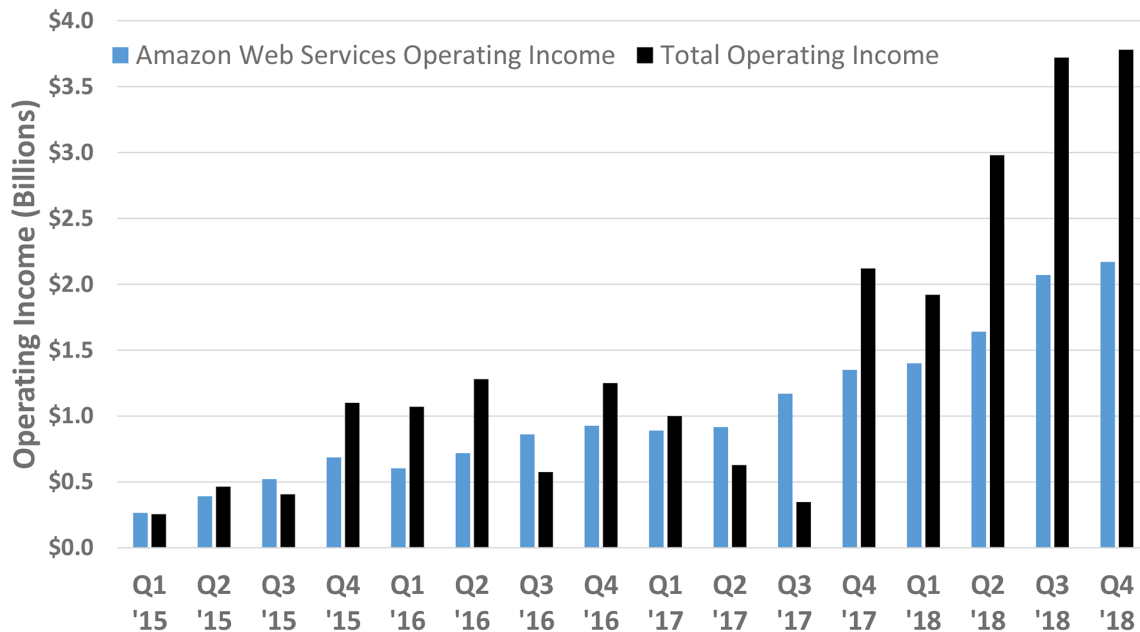


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And...

...the lion's share of profits isn't coming from eCommerce, it's coming from the cloud.

### Amazon's Cloud Business Is Driving Profits

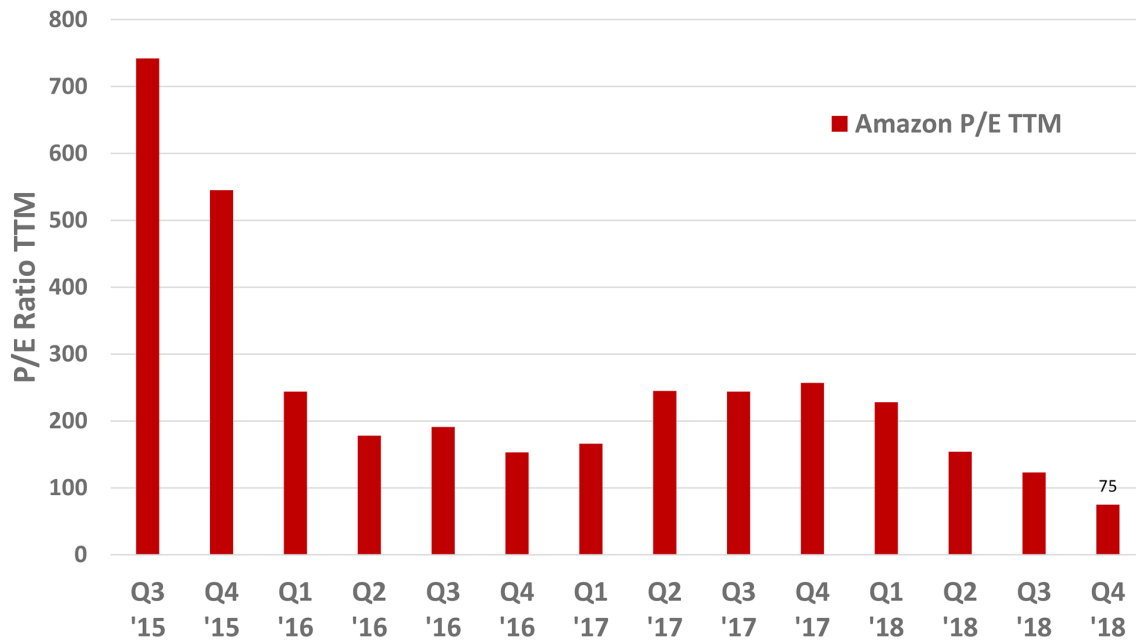


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Yet...

...Amazon is still a bit pricey, but it's getting cheaper.

### Amazon's Multiple Is Compressing

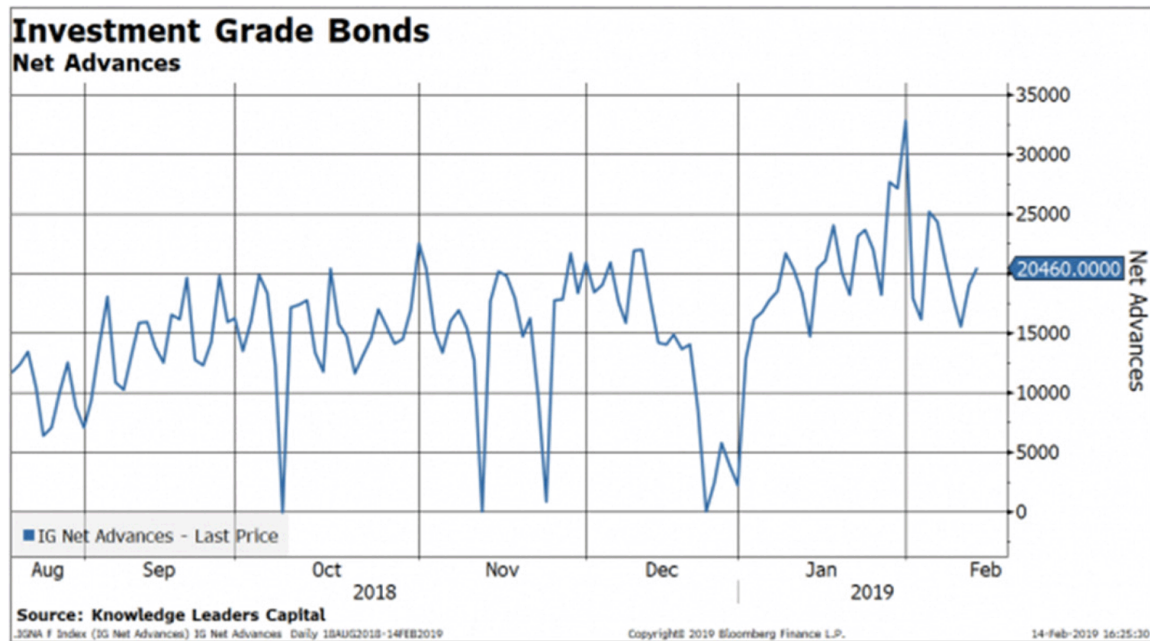


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- Adam Crawford, equity analyst, Mauldin Economics

# Stalled Bonds Threaten Rally

The gains seen in January for investment-grade bonds has reversed and stalled in February.



Source: [Knowledge Leaders Capital](#)

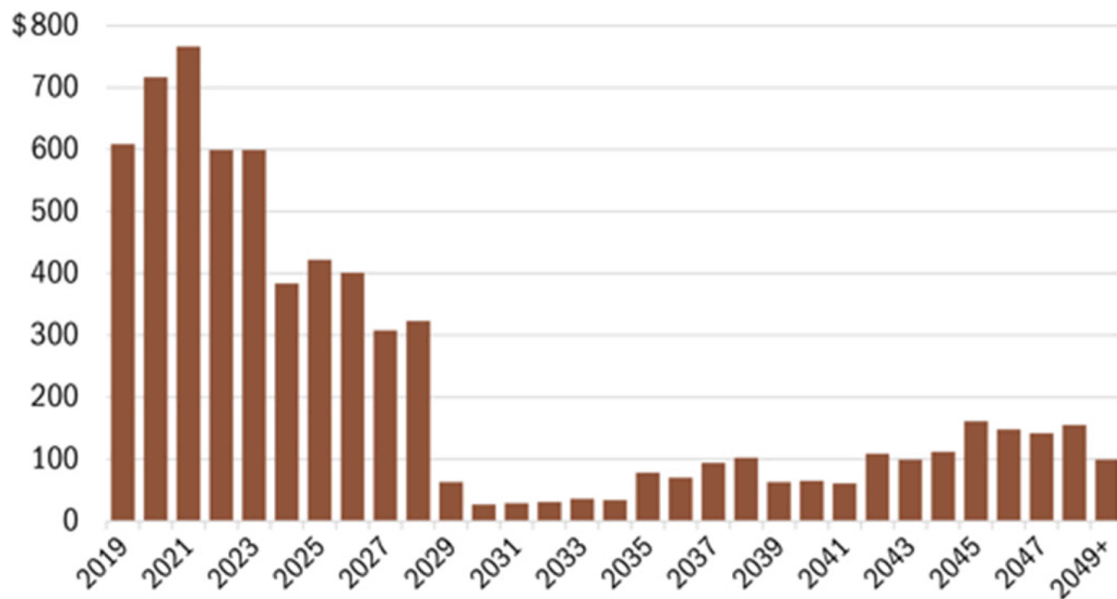
According to Knowledge Leaders Capital, if the advance in the credit market continues to lag equities, the more likely it is that we will see equities retest recent lows.

- [Kevin Brekke](#), managing editor, Mauldin Economics

# Debt Bill Comes Due

Over \$2 trillion of commercial debt comes due in the next three years.

## USD Investment Grade Debt Maturing (in Billions)



Source: Wells Fargo Securities and Bloomberg L.P.  
Economic predictions are based on estimates and are subject to change.

Source: [Heartland Advisors](#)

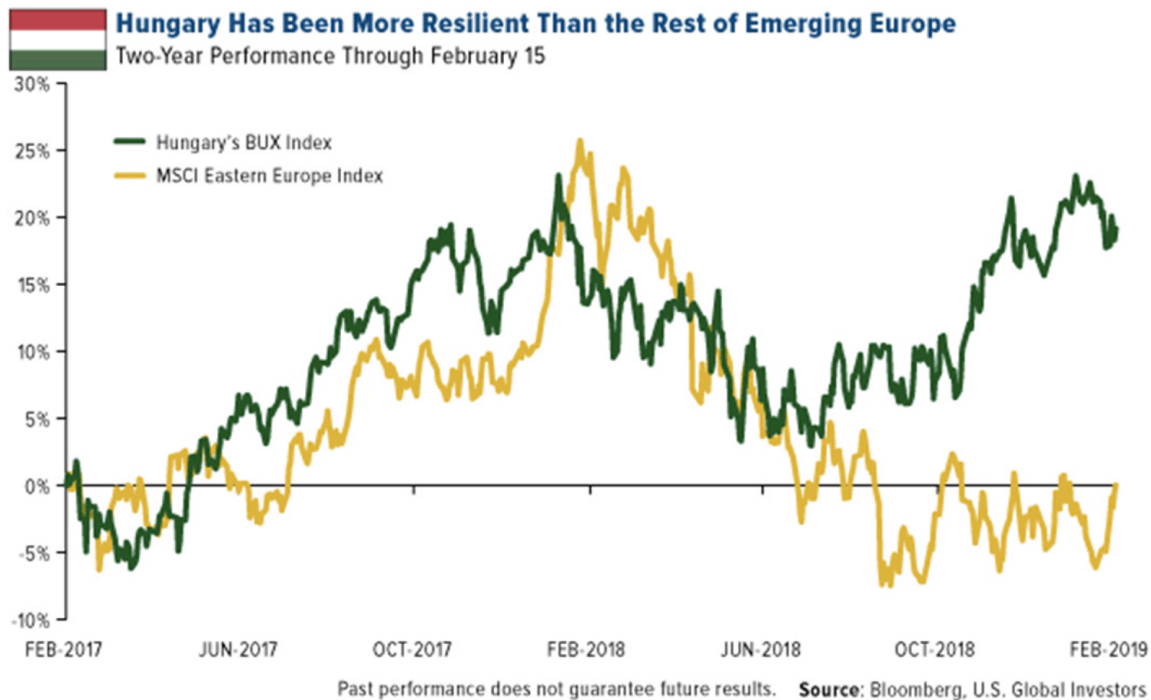
Higher interest rates and stricter lending standards will mean many borrowers will face higher costs to carry debt.

That will add more challenges to companies that are heavy borrowers.

- [Kevin Brekke](#), managing editor, Mauldin Economics

# An Unorthodox Road to Growth

Hungary is doing many things right. And the performance of its stock market versus the rest of Eastern Europe proves it.



Source: [U.S. Global Investors](#)

To keep the economic progress intact, Hungary is about to embark on a very controversial path.

We have covered the “demographics are destiny” conversation in prior issues of *Charts That Matter*. Among the many demographic hurdles faced by Western countries is a low birth rate that threatens future economic growth.

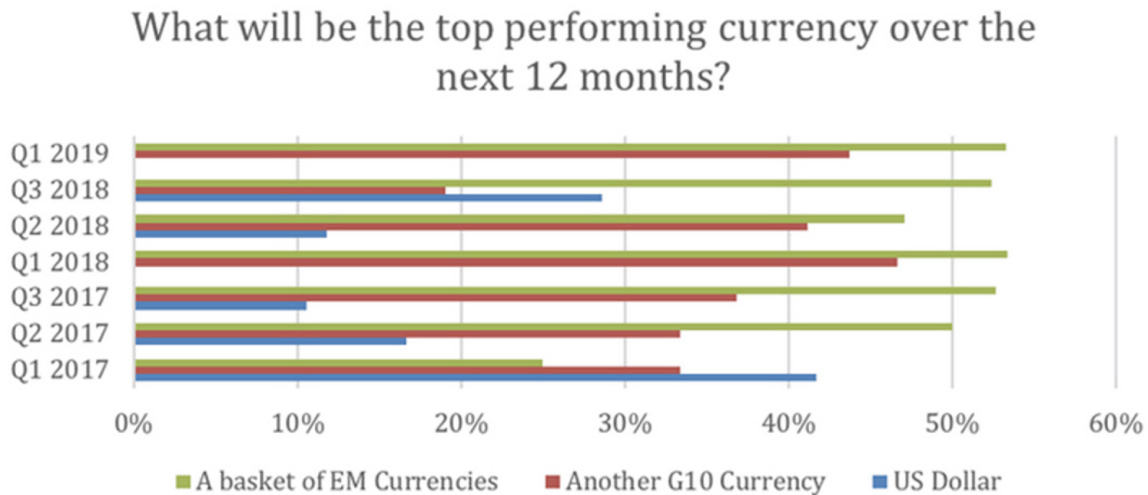
Enter Hungary, which has put in place a radical new policy that will attempt to dull the threat of its shrinking population. The policy offers zero income taxes for life for married women that birth and raise four or more children.

Turns the meaning of planned parenthood on its head.

- [Kevin Brekke](#), managing editor, Mauldin Economics

# Surveying Currencies in 2019

Russell Investments surveyed leading currency managers, and this chart reflects their outlook for the next 12 months.



Source: [Russell Investments](#)

For the first time since Q1 2018, not a single manager expects that the US dollar will be the top currency this year.

Here's the breakdown:

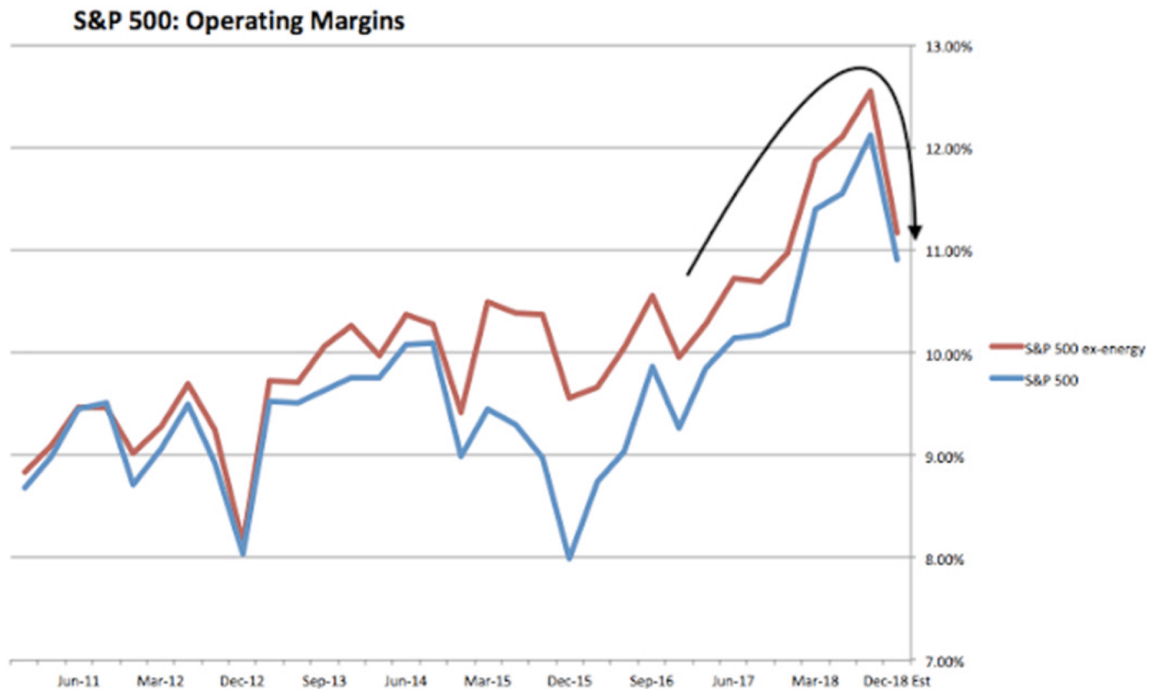
- 44% expect a G10 currency to be the 2019 winner.
- 56% said a basket of EM currencies will take the top spot.

The Japanese yen and British pound were the top two currencies among the G10.

- [Kevin Brekke](#), managing editor, Mauldin Economics

# Watch Those Margins

Operating margins for both the S&P 500 and the S&P 500 ex-energy turned lower in the final quarter of 2018.



Source: [The Fat Pitch](#)

Average margins fell from 11.5% to 10.9% in Q4 2018.

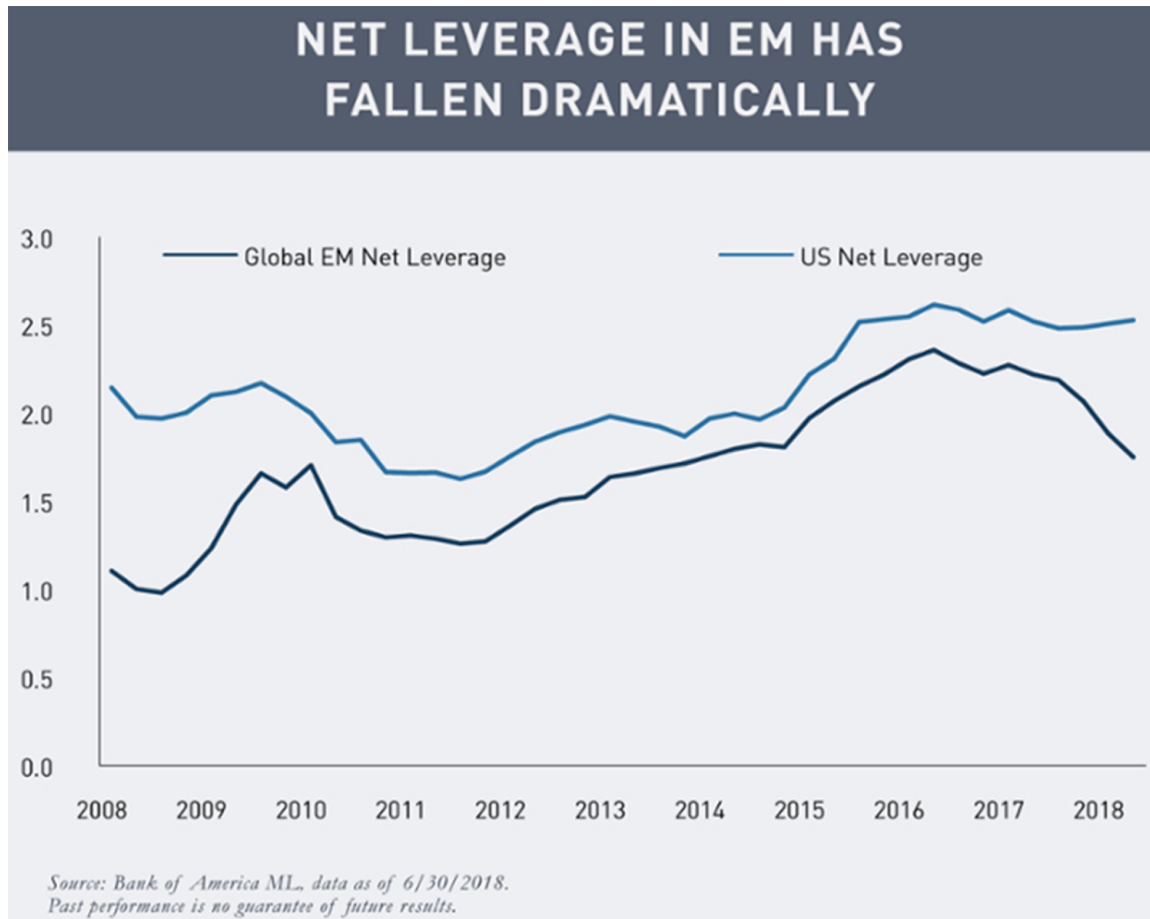
According to *The Fat Pitch*, if that rate of margin is held throughout 2019, *earnings growth will be 0%*.

- [Kevin Brekke](#), managing editor, Mauldin Economics



# Lower Leverage for EM

We will end this issue of *Charts That Matter* with yet another bullish data point for Emerging Markets (EM).



Source: [Loomis Sayles](#)

Loomis Sayles describes itself as “cautiously optimistic” on EM. In particular, it sees continued signs of improved growth in Latin America. It does warn, however, that new administrations in certain countries—notably Mexico and Brazil—could stub their toes on policy errors.

- [Kevin Brekke](#), managing editor, Mauldin Economics

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