

## INVESTMENT SUMMARY

### 1<sup>st</sup> Quarter 2019

The decade-old bull market roared back to life in the first quarter, making up for what was a volatile end to 2018 for financial markets. Both U.S. and International stocks appreciated over 10% during the quarter, while smaller and medium size companies had even greater gains of near 15%. The strength in equity prices to start the year was record setting in many ways, and investors can thank the Federal Reserve for its role in spurring the markets. Fed Chair Jerome Powell's pivot from planned interest rate increases in 2019 to a possible rate cut changed the tone in financial markets for the better. Given that prior year first quarters have been seasonally weak from an economic standpoint, this robust beginning to 2019 was a welcome surprise.

Beyond the market-friendly change in stance by the Fed, other economic developments in the first quarter were mixed. On a positive note, the U.S. employment picture is its strongest in fifty years, helped by the addition of 196,000 new jobs created in March. Overseas, encouraging rhetoric around an amicable trade deal with China has had a calming effect on the markets. And thanks to tame energy prices, inflation continued to register at moderate levels, bringing added stability to financial markets.

With equity prices at all-time highs and stocks appearing fully valued, we will be monitoring certain corners of the global economy which we see as causes for concern. For example, Germany, the largest economy in Europe, is working through major manufacturing and export related challenges that have been exacerbated by the Chinese trade negotiations. The European Central Bank is estimating a mere 1% growth for the collective Eurozone economies and is even considering a renewed monetary stimulus initiative. Here in the U.S., growth in the economy appears to be moderating in 2019 as the benefits of the 2017 corporate tax cuts fade. Estimates for 2019 GDP growth have been reduced to a range of 2-2.5% for the year, while corporate earnings growth in 2019 is also expected to decelerate. Moderating levels of business activity are normal at this late stage in the business cycle, and doesn't necessarily mark the end of this durable bull market and economic expansion.