Market Update

March 31, 2019

The Federal Reserve meeting in March 2019, was the most noteworthy development affecting capital markets during the first calendar quarter. During the post meeting press briefing, Jay Powell, Chairman of the Federal Reserve Board, provided strong assurances that there was very little likelihood of any increase in the Federal Funds interest rate this year. He also indicated that the Federal Reserve's operation to shrink the size of its holdings of US Treasury and mortgage backed securities, would end by September 2019.

Because of Chairman Powell's announcement, by March 31, 2019, the yield on the 10 year US Treasury Note declined to 2.26%, a notable decline from 2.50% on December 31, 2018. The decline in the yield of the 10 year US Treasury Note spread to other areas, most notably to the housing market where 30 year mortgages were again available with less than 4.00% rates. The increase in mortgage refinancing reported by the Mortgage Bankers Association for the last week of the first quarter of 2019, was 18.3% higher than the same week in 2018, the largest percentage increase in eight years.

Investment returns in equity markets for the first quarter of 2019, were the highest in the past 21 years. These high market returns largely reversed the 14% decline in the fourth quarter of 2018. During the first quarter of 2019, the S&P 500 was up 13.5%, the Dow Jones Industrials were up 11.2% and NASDAQ was up 16.5%. International Developed markets were up 11.1% while Emerging Markets were up 9.6%. All in all, it was an important quarter to be fully invested.

Looking forward to the rest of 2019, I project that real Gross Domestic Product (GDP) growth appears on track for 2.5% growth this year; inflation should stay below the Federal Reserve's target of 2% for the year; corporate profits are likely to be up 5-7%; and unemployment will remain at or near historically low levels below 4.0%. In my opinion, these economic projections would point to a healthy environment for capital markets, and we anticipate further appreciation in equities this year.

We are fully invested in equities to participate in this market environment, which we believe will unfold through the remainder of the year.

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