



BEST QUARTER SINCE 2009!!!

Economic reports that were delayed due to the government shutdown have trickled in to reveal the economy slowed a bit more than expected in early 2019, reports Raymond James Chief Economist Scott Brown. However, the recent conclusion of the Mueller investigation with no pending indictments should serve as a market positive, according to Ed Mills, managing director and Washington policy analyst.

In addition, it seems the Trump administration is prepared to continue negotiating with Beijing on trade, and the S&P 500 Index had its best quarter since 2009, according to Bloomberg. This may be supported by a healthy labor market, as suggested by a two-month low in filings for U.S. unemployment benefits in the week ended March 23.

While most Federal Reserve policymakers expect to leave short-term interest rates unchanged over the course of the year, the federal funds futures market is pricing in about a 65% chance that the Fed will cut rates by the end of the year, explains Brown. He thinks the economy will continue to advance in 2019, but at a slower pace than last year with risks to that outlook tilted to the downside. Much has been made of a flattening yield curve, and it bears watching if the pattern sustains itself over an extended period of time.



The quarter ended positively, as did the month, for the Dow Jones Industrial Average, NASDAQ and S&P 500. The Russell 2000 Index also ended positively for the quarter, but negative for the month.

	12/31/18 Close	3/29/19 Close	Change YTD	% Gain/Loss YTD
DJIA	23,327.46	25,928.68	+2,601.22	+11.15%
NASDAQ	6,635.28	7,729.32	+1,094.04	+16.49%
S&P 500	2,506.85	2,834.40	+327.55	+13.07%
MSCI EAFE	1,719.94	1,875.43	+155.49	+9.04%
Russell 2000	1,348.56	1,539.74	+191.18	+14.18%

Here is a look at what's happening in the economy and capital markets, as well as key factors we are watching:

Economy

- The Mueller investigation conclusion may have a real impact on President Trump's remaining first-term agenda, particularly on trade negotiations with China and domestic issues such as the budget or infrastructure.
- Consumer spending growth should continue to lead the economic expansion this year.

Equities

- The inverted yield curve deserves investor attention. However, we caution investors from overreacting, as more time is needed to see if the inversion deepens, is longer lasting and if economic disappointments start to build. Right now, the economic data reflects a slowdown, not a contraction.
- Earnings expectations also reflect some slowing, following the 22% earnings growth received in 2018. However, we still view underlying growth as still supportive for the S&P 500 in Q1 and full year 2019.

International

- After a strong performance during the first two months of the year, markets outside of the United States were pressured.
- A Brexit compromise still remains likely and a slight delay was negotiated, but the continuing passage of time increases the risk of less straightforward outcomes.
- China reported its lowest economic growth target in a generation – still a high level compared to most other global economies. The bounce-back performance of both the Chinese financial market and local currency bodes well for 2019, so far.

Fixed Income

- Weak European data and waning domestic growth estimates have caused investors to gravitate toward more conservative assets.
- Global interest rate disparity continues with U.S. domestic rates significantly higher across the curve than many major economic powers in Europe and Asia.

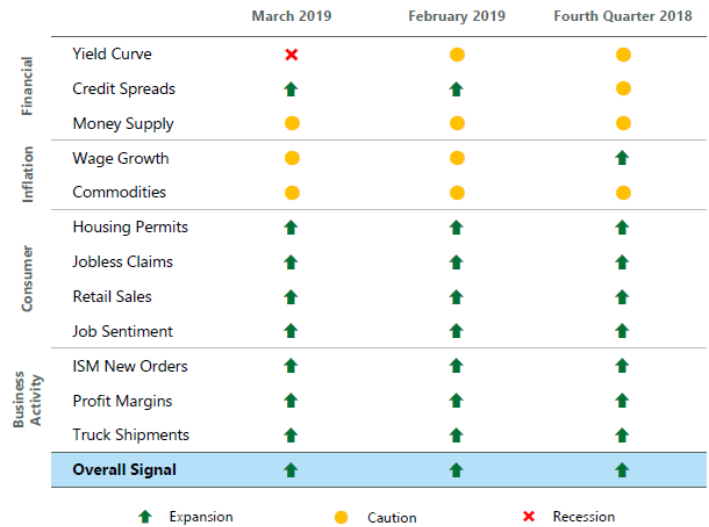
Bottom Line

- We hold a positive equity market stance until more evidence of a contraction appears.
- We feel global investments outside of the U.S. continue to offer potential diversification opportunities, particularly if the dollar fades in value versus other major currencies in the world.

To the right is a chart produced by a firm we respect. The chart shows twelve variables that have historically foreshadowed a recession. As you can see, most of the indicators are green and the one red indicator that just happened albeit not for very long is the Yield Curve. The yield curve did invert temporarily in March of 2019.

An inverted yield curve happens when short term rated debt yields higher than long term debt of the same credit quality. Shorter-dated bonds are highly sensitive to Fed policies than longer-dated bonds. Longer term bonds are more sensitive to inflation expectations which have been very low compared to historical readings. Recessions tend to be preceded by the Fed raising short term rates above the 10 year Treasury rate, and not by the 10 year rate falling below the Fed Funds Rate after the Fed has completed its tightening cycle.

Since 1962 every recession has been preceded by an inversion of the yield curve BUT not every inversion has been followed by a recession. An inversion of the yield curve for this reason does not automatically signal that a recession will happen. Benign inflation, an accommodative Fed, and reasonable equity valuations should all serve to extend the growth cycle and not end it now.



ClearBridge Investments
 Data as of March 31, 2019.
 Source: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, and Bloomberg.

*Raymond James is not affiliated with ClearBridge Investments, an independent third

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Dudley listed in *Forbes* Best-In-State Wealth Advisors

Dudley has been named to the 2019 edition of the *Forbes* list of Best-In-State Wealth Advisors. The list recognizes top financial advisors at banks, brokerages, custodians, insurance companies, clearing houses and others from across the U.S. This year's Best-In-State Wealth Advisors list spotlights over 2,000 top-performing advisors across the country who were nominated by their firms – and then researched, interviewed and assigned a ranking within their respective states.

This achievement would not have been possible without your continued trust and support. Milestones like this serve to reinforce our belief that putting clients first is still the best way to do business.

The Forbes ranking of Best-In-State Wealth Advisors, developed by SHOOK Research is based on an algorithm of qualitative criteria and quantitative data. Those advisors that are considered have a minimum of 7 years of experience, and the algorithm weighs factors like revenue trends, AUM, compliance records, industry experience and those that encompass best practices in their practices and approach to working with clients. Portfolio performance is not a criteria due to varying client objectives and lack of audited data. Out of 29,334 advisors nominated by their firms, 3,477 received the award. This ranking is not indicative of advisor's future performance, is not an endorsement, and may not be representative of individual clients' experience. Neither Raymond James nor any of its Financial Advisors or RIA firms pay a fee in exchange for this award/rating. Raymond James is not affiliated with Forbes or Shook Research, LLC.

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