



MARCH 2019

***In February, markets shrugged off slowing growth concerns and continued their January upward climb on signals of a more patient Federal Reserve and progressing trade negotiations with China.***

## MARKETS PRESS HIGHER IN FEBRUARY

January brought welcome relief to investors after a volatile end to 2018. January's strong market rally (the best start to the year in 30 years) continued into February on a combination of news including constructive US-China trade talks, a considerably more dovish stance from the Fed, and the implementation of stimulus in the Chinese economy. These positives outweighed concerns about slowing global growth and the Standard and Poor's 500 Index advanced 2.97%, small caps as measured by the Russell 2000 Index pushed 5.0% higher, and international markets moved higher, as well, with the Global Dow Index returning 1.88%.

During the month, US-China trade talks dominated the attention of markets. Still in contention are tariffs, intellectual property, and Chinese state-led subsidiaries for the technology sector. While there has been no agreement on all matters, there was enough progress in negotiations to avert the increased tariffs that were scheduled for March 1. President Trump's "America First" agenda remains a source of uncertainty for markets, especially as following recent reports from the Department of Commerce, the president has 90 days to evaluate an increase on tariffs for foreign-made automobiles which would have a notable impact on Europe and Germany.

Despite the broad markets strong year to date performance (the Standard and Poor's 500 Index is up 11.08%), we are still about 5% off all-time highs. While we remain cautiously optimistic and believe that a return to market highs is possible at some point during the year, we are bracing for potential volatility as markets tip-toe around headline risks. For this market rally to continue higher, we believe that a more complete resolution on US-China trade negotiations is a must. Economic data year to date has been mixed, we are keeping an eye on current data here at the quarter end for a more complete picture on the state of the economy. Given the recent gains and uncertainty in the markets, we remain cautious buying into the recent market bounce and remain vigilant for the potential of volatility returning to the markets.

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## LAST MONTH'S KEY ECONOMIC DATA

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### EMPLOYMENT

Total employment rose by 304,000 in January after adding 222,000 (revised) new jobs in December. The unemployment rate advanced to 4.0%. The number of unemployed persons rose slightly to 6.5 million. The labor participation rate was up slightly at 63.2%. Average hourly earnings also increased by \$0.03 to \$27.56.

### FOMC/INTEREST RATES

The Federal Open Market Committee did not meet in February. The next meeting is scheduled for March 19 and 20.

### GDP

The advanced estimate of fourth quarter GDP showed that the economy grew by 2.6%. The GDP expanded at a rate of 3.4% in the third quarter.

### INFLATION AND CONSUMER SPENDING

Inflationary pressures are low and consumer spending remains strong.

The *Consumer Price Index* was unchanged in January. Over the last 12 months, CPI rose 1.6%. Core prices, which excludes food and energy prices, rose 0.2% for the month and 2.2% year over year.

According to the *Producer Price Index*, the prices companies receive for goods and services fell 0.1% in January. Producer prices have increased 2.5% over the 12 months ended in January.

### HOUSING

Existing home sales fell 1.2% in January after a 6.4% plunge in December. Year over year, existing sales are down 8.5%. The median price for existing homes in January was \$247,500, down from \$253,600 in December.

### MANUFACTURING

Industrial production fell 0.6% in January following a 0.1% advance in December.

### IMPORTS AND EXPORTS

The latest data on international trade, dated February 6, is for November. The November deficit was \$49.3 billion, down \$6.4 billion from October. Exports were \$1.3 billion less than October.

### INTERNATIONAL MARKETS

In Britain, PM May was unable to gain approval of the exit deal she negotiated with the EU. There does not appear to be a package that the government in Britain can agree on which signals a likely delay of the March 29<sup>th</sup> UK exit from the EU.

### CONSUMER CONFIDENCE

Consumer confidence, as measured by The Conference Board Consumer Confidence Index®, increased in February after a January decline. The index stands at 131.4, up from 121.7 in January.



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Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations.