CLIENT BRIEFING

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Major stock indexes recouped almost all of the losses they suffered in the final months of 2018, when fears about an economic downturn sent markets around the world sliding. Much of this year's rally was fueled by the announcement that central banks were willing to leave interest rates alone for the rest of the year, due in part to the release of muted inflation data. The rebound was also propelled by an overriding sentiment among investors that last year's stock selloff was overdone.

While the markets ended March on a high note, a soft February jobs report and a sudden shift in the yield curve gave investors some cause for concern. Job growth came to a near halt in February, with non-farm payrolls increasing by just 20,000. The month fell short of the relatively modest expectations of 180,000 from economists surveyed by Dow Jones. The good news is that hiring sprang back in March, as nonfarm payrolls increased by 196,000, easing worries of an economic slowdown. In recent weeks, long-term interest rates sank below short-term rates, a phenomenon known as an "inverted yield curve" that in the past has been a precursor to economic downturns within one to two years. However, conditions have since normalized with long term rates moving back above short-term rates. We don't think that the favorable economic conditions of low interest rates, low unemployment, tax cuts and low inflation could lead to a recession any time soon.

The S&P 500 index added 13% for the quarter, its best showing since 2009. The Nasdaq index of primarily information technology companies rose 16% for the quarter. The energy sector was also a standout in the first quarter boosted by rising oil prices. In fact, nearly all equity classes returned double digit returns, including developed and emerging market stocks. The bond market also posted strong first quarter returns as it became more likely that the next move from the Fed would be to keep rates unchanged or even cut them. Investment grade corporate bonds and high yield bonds rallied 6% and 8%, respectively.

At the start of April, market volatility has greatly subsided. We continue to remain optimistic about global economies and the markets. While news like the trade talks with China and Brexit can lead to short-term volatility, we advise not to fixate on such current events. Instead a more predictive outlook for markets lies in key macroeconomic indicators like jobless claims, interest rates, corporate earnings and fiscal policy. We will continue to monitor such factors in combination with each client's unique planning requirements.

Miller Wealth Advisors

Planning for life. Preparing for a lifetime.

Sources:
Investors Rush to Buy Up Stocks, Wall Street Journal, April 1, 2019
Jobs Rebound Eases Fears, Wall Street Journal, April 6-7, 2019
Valmark's TOPS Member Forum, April 12, 2019