



Gains Conclude a Great Quarter

Weekly Update – April 1, 2019

The Week on Wall Street

Stocks ended last week higher as volatility slowed, completing their best quarter since 2009. A Friday tweet from Treasury Secretary Steven Mnuchin encouraged investors, referring to “constructive” discussions in the ongoing U.S.-China trade negotiations.ⁱ

The S&P 500 gained 1.27% for the week. The Dow Industrials and Nasdaq Composite both exceeded that advance: the Dow rose 1.60%; the Nasdaq, 1.42%.^{ii,iii,iv}

Foreign shares went the other way. The MSCI EAFE index following international stocks retreated 0.91%.^v

2019 Could Be a Big Year for IPOs

One of the ride-share pioneers, Lyft, closed on its initial public offering (IPO) on Friday, and a glance at the IPO calendar shows that as many as 226 companies could soon go public, with Uber and Airbnb possibly among them.^{vi}

This IPO wave may be a signal of a market top, or it may point to a comeback for risk appetite, which could be healthy for the overall market.

Should some big-name IPOs stumble, it may deter others from moving ahead, which may influence the market psychology. Conversely, an enthusiastic reception may help support further market advances.

Good News for the Housing Market

The Fed’s dovish tone has also influenced home loan rates. Freddie Mac’s latest Primary Mortgage Market Survey shows an average interest rate of just 4.06% on a 30-year, fixed rate mortgage, compared with 4.28% a week earlier and 4.95% in December.^{vii}

This news is especially significant given the recent pickup in existing home sales. They jumped 11.8% in February, the biggest monthly gain in more than three years.^{viii}

Tax Tip

The federal income tax filing deadline is Monday, April 15, 2019. However, residents of Maine and Massachusetts have until Wednesday, April 17 to file their 2018 tax return. April 15 is Patriots' Day, and April 16 is Emancipation Day.^{ix}



THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: February retail sales.

Wednesday: ADP's snapshot of March private sector hiring.

Friday: The Department of Labor's March jobs report.

Source: Econoday / MarketWatch Calendar, March 29, 2019

The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision. The release of data may be delayed without notice for a variety of reasons, including the shutdown of the government agency or change at the private institution that handles the material.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Tuesday: GameStop (GME), Walgreens Boots Alliance (WBA)

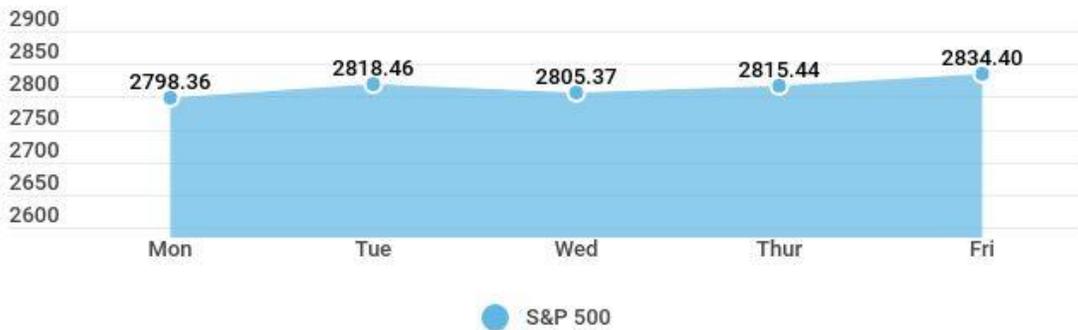
Thursday: Constellation Brands (STZ)

Source: Morningstar.com, March 29, 2019

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Market Index	Close	Week	Y-T-D
DJIA	25,928.68	+1.60%	+11.15%
NASDAQ	7,729.32	+1.42%	+16.49%
MSCI-EAFE	1,865.86	-0.91%	+8.49%
S&P 500	2,834.40	+1.27%	+13.07%



	Treasury	Close	Week	Y-T-D
	10-Year Note	2.41%	-0.03%	-0.28%

Sources: The Wall Street Journal, Mar. 29, 2019, Treasury.gov, Mar. 29, 2019

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance is measured from Monday's open of trading to Friday's close for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite. Weekly performance is measured from Friday's open to Thursday's close for MSCI-EAFE. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.



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Military OneSource MilTax is a free service for the military and their families. The service offers an entire suite of tax and financial services, which are exclusively designed for military life. Highlights of MilTax include:

- Tax preparation e-filing that's secure and free. It's available from January through October and takes into consideration military tax deductions and credits
- Access to tax consultants who understand the financial needs of the military and can answer any tax-related questions you have
- Free, in-person tax prep is available through the Volunteer Income Tax Assistance offices

MilTax is a benefit earned through military service and considers special tax issues, such as combat pay and multiple moves. The tax help is available to service members, including those in the National Guard and reserves, immediate family members, and eligible survivors. To find out more, visit <https://www.militaryonesource.mil/>, or call (800) 342-9647.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Tip adapted from Military OneSource^x

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International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

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You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

A 30-year fixed rate mortgage is a conventional home loan meeting the lending requirements of Fannie Mae and Freddie Mac, but it is not a mortgage guaranteed or insured by any government agency. Private mortgage insurance, or PMI, is required for any conventional loan with less than a 20% down payment.

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ⁱ <https://www.marketwatch.com/story/stocks-end-higher-sp-records-strongest-quarter-in-a-decade-2019-03-29>

ⁱⁱ <https://quotes.wsj.com/index/SPX>

ⁱⁱⁱ <https://quotes.wsj.com/index/DJIA>

^{iv} <https://quotes.wsj.com/index/COMP>

^v <https://quotes.wsj.com/index/XX/990300/historical-prices>

^{vi} <https://www.cnbc.com/2019/02/04/a-giant-ipo-wave-is-coming-as-unicorns-whet-investor-appetite.html>

^{vii} <http://www.startribune.com/us-mortgage-rates-post-biggest-drop-in-decade-to-4-06-pct/507781302/>

^{viii} <https://www.nar.realtor/newsroom/existing-home-sales-surge-11-8-percent-in-february>

^{ix} <https://www.efile.com/tax-day-deadlines/>

^x <https://www.militaryonesource.mil/financial-legal/tax-services/miltax-free-tax-services/miltax-free-tax-services-from-military-onesource>

DENT

DIGEST

A BROAD LOOK AT IMPORTANT TRENDS THAT YOU MIGHT HAVE MISSED THIS WEEK

Weekly Dent Digest 3/22/2019

U.S. Fourth-Quarter GDP Revised Lower to 2.2%... The final report on economic growth at the end of last year brings the total annual growth for 2018 to 3.0%.

What it means - Consumer spending clocked in at 2.5%, and that's about the best we can say for this report. Business investment was solid at 5.4%, but that's lower than expected and isn't very encouraging for a segment of the economy that got a huge tax break last year. Rounding out the disappointing news was retail investment, also known as housing, which contracted at the fastest pace of the year in the fourth quarter, down 4.7%. The only positive surprise was falling inflation. The GDP price index dipped to 1.7%, which is a clear indicator of why the Fed took its foot off the interest rate gas pedal.

With the fourth-quarter numbers finally on the books, we can turn our attention to 2019. The Atlanta Fed's GDPNow model jumped markedly in the past two weeks, and now stands at 1.5%. That a lot better than the 0.5% we were looking at mid-quarter. We've been skeptical of U.S. economic growth recently, and remain unconvinced that GDP will post gains over 1%, but the Atlanta Fed's model has been very accurate, so we have to give it respect.

If the economy expands by more than 1% in the first quarter, expect investors to breathe a sigh of relief and push equities higher. This would be right in line with Harry's Dark Window forecast.

February Housing Starts Down 8.7%... Unfortunately, that number masks the big drop in single-family starts, down 17%.

What it means – A double-digit drop in single-family starts is bad news, because it means that a lot of construction workers weren't on the job. A lot of that could have to do with the extreme cold weather that blanketed much of the country last month, but the results are seasonally-adjusted, so some of that should already be considered.

On the permit side, things weren't as bad. Overall, permits dipped just 1.6%, and single-family permits were flat.

The general tone of real estate remains the same. Prices are softening a bit and activity is contracting, which is keeping builders on the sidelines and draining inventory from the market.

January S&P/CoreLogic Case-Shiller 20-City Home Price Index Up 3.6% Year-Over-Year, Smallest Gain Since September 2012... The monthly index dropped 0.2%.

What it means – Prices out west pulled down the average, with San Diego and San Francisco both posting monthly declines, and showing only 1.3% and 1.7% growth, respectively, for the year. The report echoes what we've seen in home sales reports for the past six months, so there are no surprises.

An Anonymous U.S. Trade Official Noted Progress in Talks with China...

The official claimed that China had made significant concessions on intellectual property and technology transfers.

What it means – This is good news, since we've apparently reached an agreement on access to markets and other items. It's interesting that the

Chinese are making concessions. If true, it shows that Trump's negotiating tactics are working. While his tariffs have caused some pain in the U.S., they're clearly causing more pain in China. And lucky for the President, trade tariffs have all but fallen out of the news cycle in the U.S.

When we strike a deal, expect a strong day or two in the equity markets. That might be a great day to take gains off the table.

Special Counsel Robert Mueller Released His Report, Noting Trump Did Not Collude With Russians on 2016 Election... This wasn't economic news, but it definitely dominated the headlines across all platforms for several days after a summary of the report was released last weekend. The president enjoyed a good couple of days before calling for creating more controversy by calling for the repeal of the Affordable Care Act.

Border Patrol Estimates Up to One Million Illegal Immigrants Could Cross the Southern Border This Year... The number includes those who cross and look for work, but it's mainly asylum seekers from Central America, and that's the problem. When we last had one million illegal immigrants arrive in a year, they were almost exclusively young men looking for work. They evaded Border Patrol and did their best to move north.

Now we're seeing mostly families with children who immediately present themselves to authorities and claim asylum. We have nowhere to put them. Border patrol expects to see 95,000 in March, and perhaps 100,000 in April, and they simply aren't equipped to deal with the influx.

Next Week - The first week of April brings reports on durable goods orders, retail sales, and the Employment Situation. The ECB will release the minutes from its latest meeting.



Rodney

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