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Market Summary - March 11, 2019

For the week ending March 8

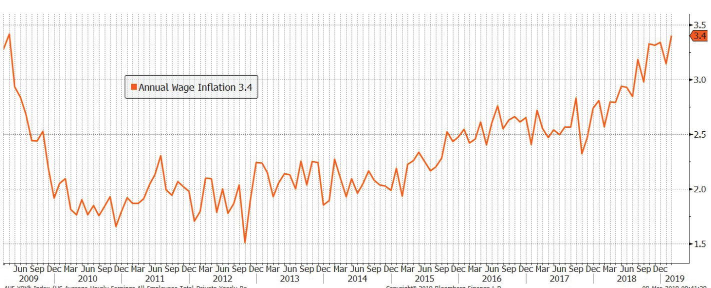
This summary is provided by BMT Wealth Management.

Economic Data:
U.S. economic growth slowing down

The U.S. labor market cooled in February as U.S. employers added the fewest number of workers in more than a year. U.S. companies hired an additional 20,000 workers in February compared to over 300,000 the prior month. The slowdown in the labor market follows weakness in both U.S. manufacturing as well as U.S. consumer spending data that were reported in prior weeks.

Interestingly, the unemployment rate dropped to 3.8%, the lowest rate this year, while annual wage inflation picked up to 3.4%, the highest increase since 2009.

U.S. Average Hourly Earnings All Employees Total Private Yearly Change
March 31, 2009 – February 28, 2019



Source: Bloomberg Finance L.P.

Higher inflation has generally been the precursor to higher U.S. interest rates; although, recent Federal Reserve (Fed) commentary has indicated a more patient Fed. Recent economic data has provided further evidence of decelerating U.S. economic growth, an obvious concern for Federal Reserve members.

It is also worth noting that the economic slowdown isn't isolated to the U.S. – other countries have expressed growth concerns this past week as well.

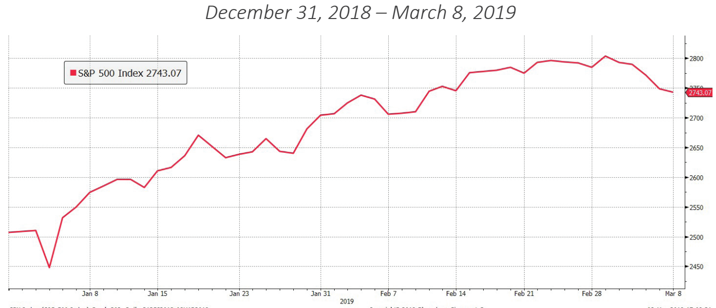
In Europe, the European Central Bank President Mario Draghi revised lower its forecast for eurozone economic growth in 2019 down from 1.7% to 1.1%. China is forecasting growth somewhere between 6.0%-6.5% for 2019 after Chinese gross domestic product increased 6.6% in 2018.

Financial Markets:
Equity markets take a pause

Investors headed to the sidelines last week on concerns that global economic growth will continue to slow throughout the year. Ongoing trade negotiations between the U.S. and China appeared to make progress but not enough to sway investor pessimism.

After five consecutive weeks of weekly gains, the S&P 500 Index dropped -2.12% led by the health care and energy sectors, down -3.84% and -3.77%, respectively. The utility and real estate sectors were the lone sectors ending the week in positive territory. Investors turned to the high dividend-paying sectors searching for yield. Overall, the S&P 500 Index is up nearly +10% this year.

S&P 500 Index
December 31, 2018 – March 8, 2019



Source: Bloomberg Finance L.P.

Overseas, the developed international market (MSCI EAFE) and the emerging market (MSCI Emerging Markets) indices were both down -1.89% and -1.99%, respectively. As noted earlier, growth downgrades in both the eurozone and China weighed on investor sentiment.

Financial Markets: Slowing growth weighs on bond yields

In fixed income, U.S. Treasury yields declined across the yield curve. The 2-year and 10-year dropped 10 and 13 basis points, respectively, and ended the week at 2.46% and 2.63%. Global growth concerns added a boost to U.S. Treasury prices given the drop-in yields.

U.S. investment grade corporate bonds underperformed on the week relative to U.S. government bonds but still ended the week with positive returns.

Looking Ahead

Next week, investors will get an update on consumer spending registered in January 2019. Consumer spending was a bright spot for the U.S. economy during much of 2018 but deteriorated in the final month of the year. Whether or not a weak number from December 2018 was the beginning of a trend or simply just a one-off will be something the BMT Investment Team will monitor closely. Also, next week, both the Consumer Price Index as well as the Producer Price Index will be reported on March 12 and March 13, 2019, respectively.

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