Market Summary - April 22, 2019

For the week ending April 19

This summary is provided by BMT Wealth Management.

Stocks Take a Breather

U.S. Equities, as measured by the S&P 500 Index, finished the holiday-shortened week largely unchanged, registering a loss for the four trading days of just -0.07%. Stocks arguably deserved a breather.

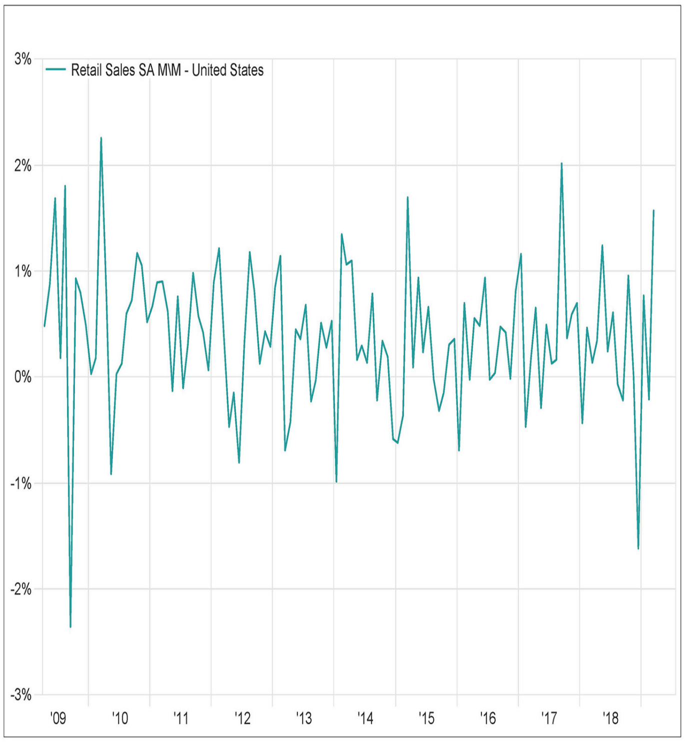
The Index had registered a gain of 13.65% during the first quarter - the best first quarterly return in over 20 years. Equities added another 2.66% prior to the week just ended. Even with the modest setback, the S&P 500 has returned 16.59% for the year-to-date.

Industrial stocks led the way higher during the week, advancing 1.4%. For the year, industrials are higher by 22.3%. The gains in these cyclical companies are clearly tied to investor beliefs that the economy is on more solid footing than what many had believed to be the case late last year.

Consumer discretionary stocks also ended the week in a positive territory (+0.83%), and are higher by 21.2% in 2019. These companies received some good news on Thursday morning when it was announced that retail sales for March had advanced 1.6%, exceeding the consensus estimate of 1.0%.

While this report tends to be a little choppy, over the past few years any negative prints have generally been limited to figures well below -1.0%. The -1.6% result from December, which as the chart displays was the low water point since the early months after the Great Recession, now looks to be an aberration, and not the start of any weakening trend.

US Retail Sales (Seasonally Adjusted)
(Month-over-Month Change – Trailing 10 years)



Source: FactSet, Inc.

Health care stocks, conversely, have produced sickly returns. Over the four-day period, this sector slumped by -4.4%, largely due to concerns about possible changing industry dynamics, including drug price controls. Feeding these fears have been ongoing comments from Presidential candidates, particularly from a Vermont Senator that continues to advocate for Medicare for All - a policy which would clearly be disruptive to the status quo. While the damage to the group had been largely contained to the managed care providers earlier in the year, it has now broadened to include most of the health care constituency. Health care issues are the only sector within the Index with a negative return for the year.

Non-U.S. Equities ended the week with modest gains, as the MSCI EAFE Index of developed market stocks returned +0.33%, while Emerging Markets stocks (MSCI EM) returned +0.34%. For the year, the MSCI EAFE is higher by +12.9%, while emerging markets stocks have returned +13.6%.

Bonds Mark Time

When the Fed released the minutes from their March meeting on April 10, 2019, the document seemed to validate the majority opinion within the financial markets, specifically that the Fed is likely to remain on the sidelines for now. It was noted that the Committee could be "patient" and that a majority of the participants believed it likely that rates would remain unchanged for the remainder of the year.

Against that backdrop, bonds took the news of the week in stride and traded in a very narrow range. By the close of the week, yields across the curve were within a basis point or two (higher or lower by 0.01% to 0.02%) of where they had started. The bellwether 10-year U.S. Treasury note ended the week yielding 2.56%.

Earnings Season Begins

FactSet, Inc., indicates that within the S&P 500 of the 15% of companies that have now reported results for the first quarter, 78% have exceeded consensus earnings expectations, which is slightly better than average. Admittedly, this is a relatively small sample size, as the pace of earnings releases will quicken in the weeks to come. Still, the results thus far are encouraging.

With the Fed on the sidelines, earnings reports, and any news related to a China trade deal are likely to be the primary focus for equity investors over the coming days.

Bonus Content

BMT in the Press

How retirees should Invest at a time of low interest rates (4/21/2019)

The Wall Street Journal consulted Jim Barnes, Director of Fixed Income at Bryn Mawr Trust, about the best investment strategies for retirees amid a low interest rate environment. Jim noted the advantages of short-maturity corporate bonds and cautioned retirees against investments with greater potential for risk and price volatility, such as lower-rated, high-yield corporate bonds.

Read the entire article at wsj.com.

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