



QUARTERLY MARKET COMMENT

First Quarter 2019

From a nail biting end in 2018 to a euphoric start in 2019, the markets can definitely keep you on your toes! The 1st quarter of 2019 was impressive as all areas of the markets realized positive returns. A far different picture from the returns experienced in all of 2018. As noted below in the chart, U.S. domestic markets were one of the better performing areas in the 1st quarter. U.S. and Global Real Estate also did extremely well. Tangibles (Natural Real Estate and Gold) were positive with Natural Resources in double digits. Developed and Emerging Market Equities provided single, albeit, close to double digit returns as well. This was not outdone by fixed income showing returns greater than their coupon or interest rate level returns.

So what changed so drastically? Not much. The underlying fundamentals (economic backdrop) hardly budged. The end of last year saw a slower economy and profit growth moving into 2019, lack of progress with a trade deal with China, and a concern related to interest rate increases by the Federal Reserve. While the Federal Reserve has signaled they are in a holding pattern going forward, trade tensions still remain unresolved, earnings and economic growth have decelerated and political uncertainty still hangs in the air. This is also reflected by the fact that the 10-year U.S. Treasury yield moved higher at the beginning of this quarter, in spite of the stock market's rebound. Given the positive moves in the market, skepticism and uncertainty have continued to keep many investors on the sidelines.

It is often said that the market climbs a wall of worry. The markets entered the 11th year of this bull market March 9th. This is the longest expansion the markets have experienced. Given the age of this expansion, the question inevitably is, when is the shoe going to drop? This question seemed to have us on the edge of our seats in December (thanks to the media). The answer, most economists give is 2020 to 2021. In the meantime, the underlying economy is healthy and positive, just not as strong as 2018. Inflation is hovering around 2%, unemployment is at historic lows, wages are moving up some, interest rates are positive and low, and the economy is growing slowly. This is typically not the backdrop of an economy heading into a recession near-term. Sentiment can have a huge temporary impact on the direction of the markets, up and down. However, it is the underlying fundamentals that ultimately rule the day. The key to investing is to stay focused on the long-term, not just the last few quarters' whipsaw returns or one year's return. Being in the markets in good times and in bad is what ultimately builds wealth over time.

Our portfolios are broadly diversified and in the long-run, research has demonstrated this strategy enhances performance and reduces risk. In the short run, a diversified portfolio can under-perform in a narrow market. Given the wild swings in the markets, it takes patience and resilience to weather the turbulent times. Those with a long-term view are rewarded for their time in the markets. Please let us know if you have any questions or concerns. We appreciate the opportunity to work with you and we thank you for allowing us to help guide you through your financial life.

Although the information has been obtained from sources believed to be reliable, the information should be relied upon only when coordinated with individual professional advice. Past performance is not a guarantee of future results. Material discussed is meant for general illustration and/or informational purposes only, and it is not to be construed as tax, legal or specific investment advice.

Asset Index Category	YTD 1Q 2019 %	YTD 2018 %	2-Year Average %	5-Year Average %
S&P 500 Index-Large Companies	13.07	-6.24	9.53	8.65
S&P 400 Index-Mid-size Companies	14.02	-12.50	5.01	6.59
Russell 2000 Index-Sm Companies	14.18	-12.18	5.40	5.59
Natural Resource Funds	11.70	-19.01	1.37	-1.41
Gold	0.74	-1.15	1.97	-0.04
US Real Estate Funds	16.14	-5.97	7.05	8.29
Global Real Estate Funds	14.62	-7.11	8.85	6.08
MSCI EAFE-Developed International	9.04	-16.14	2.27	-0.42
MSCI EM Index-Emerging Markets	9.56	-16.63	5.08	1.24
Barclays U.S. Aggregate Bond Index	2.94	0.01	2.83	2.74
Long U.S. Government Bond Index	4.12	-0.74	4.10	4.60
Emerging Market Bond Index	5.38	-6.85	2.05	1.67

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1621 W. First Ave., Grandview Hts., OH 43212 614-538-1600

www.alexanderfinancialplanning.com