PRESTIGE
WEALTH MANAGEMENT GROUP
Your Personalized CFO

After a blockbuster start to 2018, equity markets have been caught in a vicious circle of trading over the last two months, with volatility and uncertainty taking center stage. While a combination of factors like solid earnings, upbeat economic data and new tax legislation have fueled some rallies, inflation fears, protectionist policies, Washington turmoil and faster-than-expected interest rate hikes continue to weigh on equity market returns.

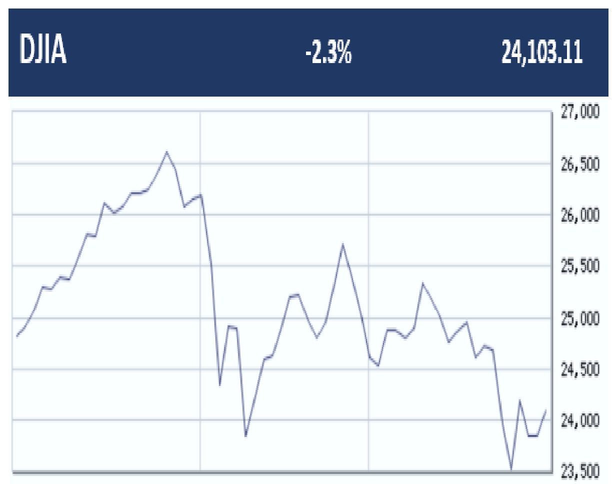
The year started out strong for equities, however, by quarter's-end the elongated period of rising share prices and low volatility finally ended. Seeking Alpha reports that while the first quarter of 2018 marked the first time in nine quarters, (dating back to 3Q15), that the S&P 500 produced a negative total return. Six of the most recent quarters with a negative total return - 3Q15, 4Q12, 2Q12, 3Q11, 2Q10, 1Q09 - were followed up by a quarter with a positive total return.

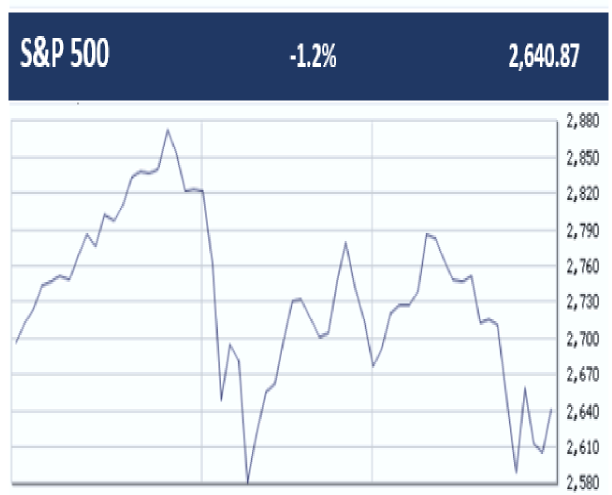
The technology sector, which was helping equities advance, experienced huge swings in the first quarter. A surge from several leading technology stocks and the emergence of new cutting-edge technologies also added to the strength.

The US-China trade war announcements took a heavy toll on equities and the technology sector.

All Eyes on Interest Rates

As expected, in March, the Federal Reserve, now headed by Jerome Powell, raised interest rates. This sixth increase since the financial crisis was by another 0.25% bringing the new range to 1.50-1.75%. The central bank hinted at gradual hikes for this year with two more increases but turned hawkish for 2019 and 2020 citing growing confidence in the strengthening economy.





31 State Route 12, Flemington, NJ 08822 | 908-782-0001 | FAX 908-782-4168
Schoolhouse Plaza, 374 Millburn Avenue, Millburn, NJ 07041 | 973-532-6770 | FAX 973-218-1452
800-743-4768 | **pwm@prestigewmg.com** | **www.prestigewmg.com**

Key Points

1. **2018 equity markets started strong but retreated in February and March.**
2. **Quarter 1 of 2018 broke long quarterly winning streaks for both the DJIA and the S&P 500.**
3. **The Fed raised U.S. Fed Fund rates to 1.50 - 1.75% in March and is scheduled to raise rates two more times in 2018.**
4. **Heightened geopolitical and inflation concerns are influencing equity returns.**
5. **Investors need to continue to be cautious and watchful.**
6. **Focus on your personal goals and call us with any concerns.**

U.S. Federal Reserve policymakers showed, "worry over the fate of currently low inflation." They also felt recent tax changes would provide a boost to consumer spending, according to the minutes of the U.S. central bank's policy meeting in December of 2017, which was released this quarter.

In early March, Bankrate.com reported that the current 2.9% yield on 10-year Treasuries is low by historical standards but represents an almost percentage-point jump since September, when the GOP's $1.5 trillion tax cut package on top of an already humming economy began to look viable.

A key factor many economists are concerned with is how aggressively the Federal Reserve with a new chairperson, will raise interest rates to stop the economy from overheating. Bankrate assembled a group of expert panelists and almost 80% expect the Fed to hike rates three times this year, similar to last year. Further increases in 2019 might also be in store as the Fed looks to bump the short-term rate to a more historically normal level. The economists were split on their predictions for the 10-year Treasury yield, but 42% forecast the yield to rise to 3.5% or more by next spring. The range of forecasts ranged from 2.28% to 4.3%. ***(Source: Bankrate.com 3/7/18)***

A common measure of interest rate sensitivity for bonds is duration. Generally speaking the higher the duration, the more sensitive a bond's price will react to changing interest rates. The duration of the bond markets has increased since 2008 from a historical average of 4.8 to currently around 6.1. Our portfolios are cautiously positioned with a duration ranging from 3.7-4.05.

Other Economic Factors

Despite a volatile stock market, the prospect of an international trade war and a declining dollar, top economists surveyed by Bankrate expect workers to enjoy positive economic news in 2018. Businesses will add to payrolls at a decent clip, the unemployment rate will decline and pay should rise, the economists predict. ***(Source: Bankrate.com 3/7/18)***

Many analysts are not yet ready to give up on this bull market. Despite the recent volatility, many analysts think the economic backdrop remains strong for stocks. Fears of a trade war between the U.S. and China escalated this quarter following reports that the two countries were in discussions to improve U.S. access to Chinese markets. Concerns about tariffs, rising interest rates, inflation and bloated valuations have overshadowed good news like higher corporate earnings and strong economic growth, said Joe Zidle, investment strategist for Blackstone Group LP. (***Source: Wall Street Journal 3/27/18)***

A stock market correction is a 10% decline in stocks from a recent high. A correction is less severe than a bear market. A bear market is defined as when stocks decline 20% from their recent highs. According to investment firm Deutsche Bank, the stock market, on average, has a correction every 357 days, or about once a year. Many investors were especially on edge when the market corrected this quarter because they have not seen a correction since early 2016.

Stock Market Corrections

Magnitude of Decline	Frequency of Decline
-5% or more	About 3 times per year
-10% or more	About once per year
-15% or more	About once every 2 years
-20% or more	About once every 3.5 years

(Source: American Funds, Deutsche Bank)

Conclusion: What Should an Investor Consider?

Market bulls always insist that bull markets don't die of old age. Nine years into this run for U.S. stocks, it's easy to buy into the idea that the only things that can halt equity markets are a recession or the Federal Reserve. According to The Wall Street Journal, that claim is only half right. Long periods of calm lead investors and companies to make silly assumptions, leaving them dangerously exposed to shifts in fundamentals. With the economy now appearing to be in the last phase of the cycle, in which the Fed starts worrying about too much growth rather than too little, some of the easy assumptions of recent years are starting to be challenged — and could threaten the most popular stocks. (***Source: Wall Street Journal 3/8/18)***

As the chart of the Dow Jones Industrial Average daily closes in February shows, large market movements of 1% or more might become a regular event.

The S&P 500 moved up or down 1% or more on 23 separate occasions during the first quarter, a startling break with the precedent set in 2017 and investors may need to be more defined in their expectations. Long term investors need to resist the temptation of making emotional decisions.

Since the Great Recession, the S&P 500 has tended to produce strong returns after quarters of negative performance.

Be Careful of Emotional Investing!

Today there are hundreds of media outlets, many with 24/7 needs for news and some of these channels use fear and hype to attract viewers. CNBC reports that "since Inauguration Day, it's fair to say that many people are experiencing a volatile and highly emotional environment."
(Source: CNBC 4/3/18)

Despite all of this, financial markets started the year strong. Then in February and March investors experienced a resurgence of volatility. One critical point that investment professionals consider is that financial markets and the global economy are generally far more resilient than our perceptions tend to give them credit for. Over the past century, investors have had to worry about world wars, recessions, depressions, financial crises and international events.

Recently, investors have experienced a lot of volatility, which could lead to panic. Financial markets are still at higher levels than just a few years ago and many economic signs are still healthy.

One of legendary investor Warren Buffett's most quoted sayings urges investors to, "be fearful when others are greedy and greedy when others are fearful." The optimum response for investors most times to emotion in investing is to acknowledge it without, if possible, allowing it to cause you to deviate from your personal financial plan that has been created to help advance your goals. Discipline and review can play a major role in successful investing. Your behavioral biases could potentially get in the way of

Now is the time to make sure you are comfortable with your investments.

Equity markets will continue to move up and down. Even if your time horizons are long, you could see some short-term downward movements in your portfolios. Peaks and valleys have always been a part of financial markets and is highly likely that trend will continue.

Discuss any concerns with us.

Our advice is not one-size-fits-all. We will always consider your feelings about risk and the markets and review your unique financial situation when making recommendations. As always we are here to answer any questions or concerns you may have regarding your investments. We look forward to continuing to work together as we navigate the environment for 2018 and beyond.

We pride ourselves in offering:

- ✓ consistent and strong communication,
- ✓ a schedule of regular client meetings, and
- ✓ continuing education for every member of our team on the issues that affect our clients.

Please share this report with others!

This year, our goal is to offer services to several other clients just like you! If you would like to share this report with a friend or colleague, please call **Prestige Wealth Management Group** at 908-782-0001 and we would be happy to assist you!

Advisory services offered through Prestige Wealth Management Group, LLC, a registered SEC investment advisory firm. Securities offered through Triad Advisors, Inc. Member FINRA / SIPC. Prestige Wealth Management Group and Triad Advisors are not affiliated.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Prestige Wealth Management Group, LLC), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Prestige Wealth Management Group, LLC. Please remember to contact Prestige Wealth Management Group, LLC, **in writing**, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. Prestige Wealth Management Group, LLC is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Prestige Wealth Management Group, LLC's current written disclosure statement discussing our advisory services and fees continues to remain available upon request.

Sources: Barron's, Seeking Alpha, FactSet, Wall Street Journal; American Funds, Deutche Bank, Academy of Preferred Financial Advisors, Inc.©

31 State Route 12, Flemington, NJ 08822 | 908-782-0001 | FAX 908-782-4168
Schoolhouse Plaza, 374 Millburn Avenue, Millburn, NJ 07041 | 973-532-6770 | FAX 973-218-1452
800-743-4768 | **pwm@prestigewmg.com** | **www.prestigewmg.com**