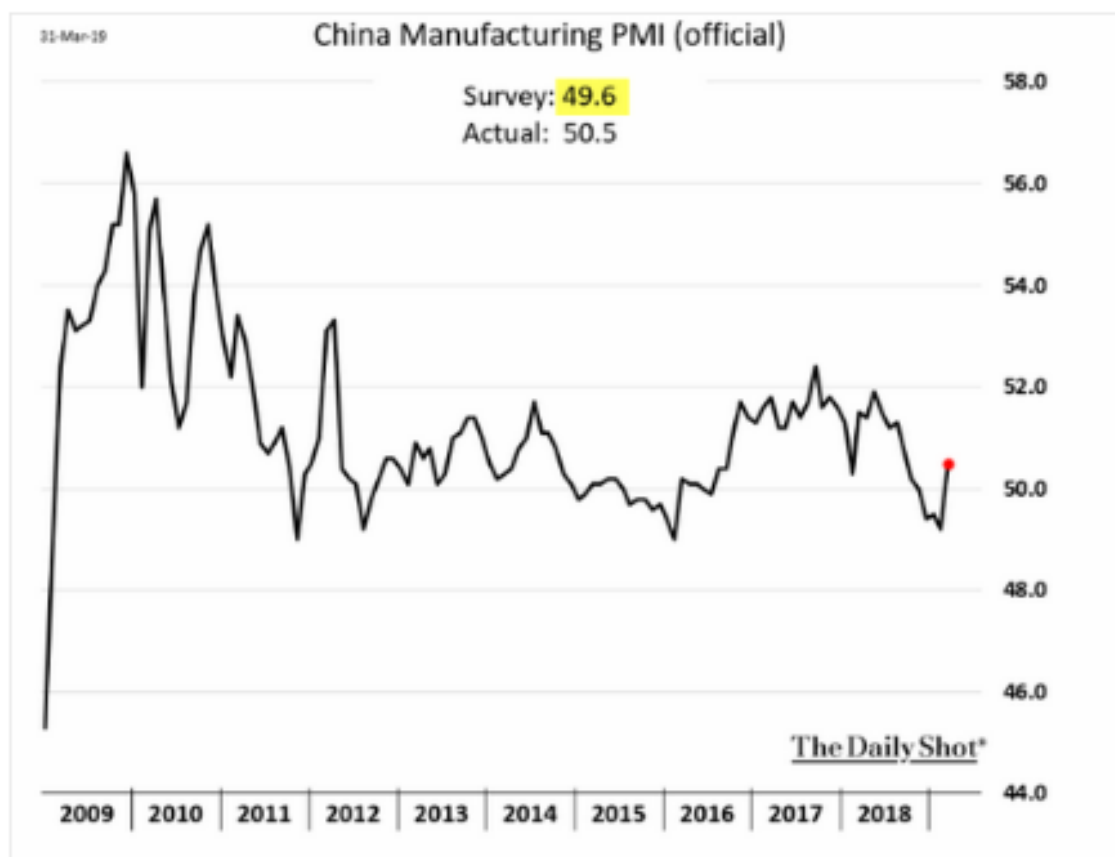


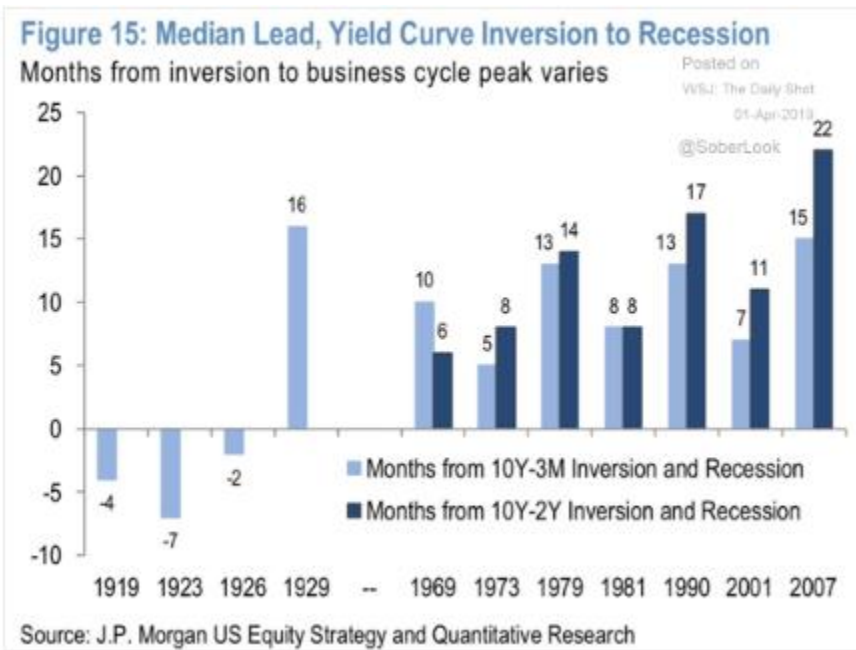
**April 1, 2019**  
**Investor Update**

March saw the market produce some mixed results as small cap and value stocks did poorly while large cap and growth stocks had a small gain for the month. Interest rates also dropped dramatically as the Federal Reserve forecast no more rate hikes and a pause in reducing the balance sheet later this year. While the market has liked the dovish stance of the Fed, at some point the economic numbers will need to get better in order to move to new highs later this year.

Interestingly, as we start April the economic numbers in China appear to be stabilizing and showing some recovery. The chart below shows that manufacturing was slightly better than expected. Since China and other international markets were at the epicenter of the most recent growth scare, this is an encouraging development. While you can't rely too heavily on one piece of data, it will be important to watch and see if the trend has truly reversed in the next several weeks.



There has been a lot of talk this month about the inversion of the yield curve. We are strong believers in the signals it creates for the economy and the stock market. While our favorite indicator has not inverted yet (10yr – 2yr) it should only be a matter of time. As the next chart shows, an inversion does not imply an immediate recession and the timing can vary greatly. There is no doubt that the yield curve inversion needs to be paid attention to, but it is premature to get completely defensive.



Going forward there are many factors that continue to point to a late economic cycle. We discussed last month a consolidation of the market was due and that it could happen either by price or time. So far, this appears to be a time consolidation and is most likely to last a few more weeks. Corporate earnings will begin in the next few weeks as well and these forecasts will tell a lot about the direction of the market. We added to our cash position towards the end of the month and continued to sell covered call options in order to take advantage of the sideways market and also be prepared to buy as opportunities present themselves. We fully expect to hit new highs in the market later this year as the economy stabilizes, interest rates remain low, and corporations continue to make money. If you have any questions please contact me at 908-376-3041.

Sincerely,

Mark R. Painter, CFA